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FINANCIAL TIMES

Start the week with...



Military expertise

The US sticks to its guns



MONDAY JANUARY 19 1998

Making a marque

Peugeot-Citroën's reorganisation



Today's survey

Business education

World Business Newspaper http://www.FT.com

WORLD NEWS

Islamist party leaders may defy Turkish court ban

The state of the s Turkey's Islamist Welfare party appeared to be on a collision course with the secular state as its leaders ignored warnings not to form a new Islamist opposition. Although the constitutional court closed the party on Friday, Welfare leader Necmettin Erbakan said: "This [Islamist] ideal will be fulfilled by the chil-dren of this nation, whatever the party or organisation's names." Page 2

Sinn Péin to most Bisir Leaders of Sinn Féin, political wing of the Irish Republican Army, will visit UK prime minis-ter Tony Blair today for a meeting likely to be dominated by Northern Ireland settlement pro-posals which Sinn Fein has rejected, and yesterday's loyalist murder of a Catholic. Page 7; Editorial comment. Page 15

MSA a career booster European MBA courses - usually seen as poor relations to the big US business schools - can help double their graduates' salaries in under five years, an FT survey shows. Page 16

Moderate pro-western opposition leader Milorad Dodik was elected prime minister of the Serb half of Bosnia, ending six years' rule by hardline nationalists who launched the Bosnian civil war.

Labelling plans under review European Union ministers are to review proposals for labelling genetically modified food after experts failed to agree on the issue. Page 5

Pilot charged over Nacir UK pilot Peter Dimond, arrested by police investigating the escape from Britain of tycoon Asil Nadir, was charged with perverting the course of justice. The former Polly Peck International chairman, who faced £30m theft and false accounting charges. fled to Northern Cyprus in 1993

while on bail. Leftists call for Ensu poli Thousands of French commu-nists and other left-wingers marched through Paris to demand a referendum before France joins European economic and monetary union. Communist Party leader Robert Hue also called for the EU to make jobs and social issues its priority.

Ex-Homer chiefs held A former vice president and a former managing director of Nomura Securities and a director of Japan's public highway corporation were arrested on bribery

Que blant at Arctic mine Hopes faded for 23 coal miners trapped after a methane explo-sion at Russia's Tsentralnaya coal mine in the arctic Vorkuta region. At least four were killed.

Malaysia's ruling party is asking its 708,000 youth members to grow vegetables and save on mport bills. The campaign is in line with government appeals to Malaysians to help tackle the

Pope John Paul II named 22 new cardinals, including Archbishop cago, and the archbishops of Toronto, Mexico City, Vienna and

More people in US Jalla The US prison population increased by more than 96,000 or nearly 5 per cent to more than. the justice department said.

BUSINESS NEWS

Russian merger set to put new oil producer in world top three

Yukos and Sibneft, two of Russia's leading oil companies, will today announce a merger to create Yuksi, which will be one of the world's top three oil producers. Page 17; Opec tries to reverse production decision,

Kohlberg Kravis Roberts, the Wall Street buyout firm, was last night poised to pay more than \$1bn for Regal Cinemas, one of North America's largest cinema

Peregrine, the collapsed Hong Kong investment bank, said it hoped to find a buyer for its slimmed-down equity products business this week. Page 16 The European Commission is

expected to indicate that it has concerns about the proposed merger of global accountancy firms Price Waterhouse and Coopers & Lybrand. Page 19

Kirch and Bertelamann, the German broadcasting groups, hope to restrict US film studios' investment in Premiere, a proposed digital pay-TV venture.

The Italian government agreed to the L7,000hn (\$3,9hn) sale of Autostrade, the state motorway

BZW's former chief executive, Bill Harrison, who is to take a senior role at Deutsche Morgan Grenfell, said he was sure that his new German employer would not pull back from investment banking as Barclays had. Page 17

Cauvai industries, French upholstery and furniture group. is set to announce the acquisition of Nestledown, its third UK bedding company. Page 18

Crédit Foncier de France, state-owned specialist property lender, is to receive a financial boost from government reform of a loan scheme for people on low incomes. Page 19

The Singapore government has taken a 25 per cent stake in the Duke of Westminster's European property business. Page 17 Ailled Domeog has received an

approach from at least one bidder interested in buying its drinks business. Page 17; Lex. Page 16 Ford Motor, the world's second biggest carmaker, plans to build a \$150m factory near St Peters-

burg. Page 19 inmarret and Euteleat, two of the world's biggest satellite oper-ators, are considering abandoning their co-operative ownership

and making a \$3bn public offering. Page 18 Arthur Anderson, the world's largest professional services organisation, is seeking more time in the battle with its sister

firm Andersen Consulting, which is trying to break away. Page 17 Cross-border acquisitions in Asia-Pacific countries fell by 50 per cent in value in the second half of 1997, two reports show.

Page 18 Peerson, the media company, is looking at a possible auction of Future Publishing, its consumer magazine division, which might fetch up to £150m (\$244.5m).

Malaysia Airlines System, the national carrier, is seeking to delay the delivery of 20 aircraft from Boeing of the US by up to five years. Page 5

Royal Dutch/Shell has held its first meeting with institutional shareholders to explain its new environmental and social poli-cies. Page 18

Italy could clinch early

membership of Emu

EU finance ministers ready to back finance plans

By James Blitz in Rome and Lionel Barbor in Brussel

ministers are today expected to give qualified approval to Italy's plans to be a founder member of economic and monetary union next year.

Barring last-minute objections from the Netherlands or Germany, ministers are likely to declare that the Italian government's latest projections for reform of its public finances are realistic and achlevable.

But the so-called Ecofin meet-ing in Brussels is expected to comprised of national treasury express reservations about the 1998 budget and the sustainability of Italy's recent impressive drive to reduce its public deficit and debt. Romano Prodi, Italy's prime

minister, is hoping the Brussels meeting will give a strong endorsement of Italy's bid to join the single currency before Chancellor Helmut Kohl visits Rome tomorrow.

A draft report on Italy's latest efforts to cut its deficit was approved by the EU's secretive monetary committee last week. The report is expected to form



Rome visit: German chancellor Helmut Kohl

the basis of today's judgment on Italy's Emu prospects.

The document expresses reser-European Union finance vations about projections for reducing Italy's long-term pensions liabilities - an issue that briefly toppled Mr Prodi's government last autumn and which is seen as the biggest problem facing the country.

The draft states that the impact of recent reforms will be "very gradual", but it concedes that the pensions system no longer poses the same risk of financial collapse as five years ago.

officials and central bankers also suggests that the structural aspects of the 1998 budget appear limited and calls for a thorough overhaul of the Italian railways. The state railway system operates at a loss of about L4,000bn a year, around 0.2 per cent of gross domestic product

"This is one of the major challenges for government action over the next few years," the draft says.

Today's Ecofin meeting is the first under the British presidency of the EU and one of the last formal opportunities for the Dutch and German governments to raise doubts about Italy's long-term fitness to join as many as 10 other EU members in the single currency. There have been suggestions in

that Gerrit Zalm, Dutch finance minister, might resign if EU leaders back Italy's bid at the summit on May 2-4. Germany has also called for

ssurances over some aspects of Italy's finances. But Italy is expected to show a public deficit of about 2.7 per cent in 1997. lower than Germany's.

Virtue rewarded, Page 2

Iraqis respond to call-to-arms



Iraqi women give a victory salute after joining a paramilitary group yesterday. President Saddam Hussein declared a 'holy war' on UN sanctions and called for a 1m-strong volunteer force to mobilise for a struggle aimed at breaking the embargo. Report, Page 16; Out to foil UN 'detectives', Page 3

Hyundai chairman calls for 'gradual decline' of rival Kia

Mater Industry Correspondent

Decisions by the South Korean government over the future of Kia Motors, the country's secondbiggest vehicles group, will determine the fate of the nation's motor industry, said Mong-Gyu Chung, chairman of Hyundai

Motors, the biggest carmaker. Mr Chung said he hoped the government, which rescued debtthe company decline gradually. That would strengthen Korea's other carmakers and make room Germany and the Netherlands for Samsung's market debut in

Selling Kia to another company free of debt "would be quite disastrous for us", he said in an interview in London.

Mr Chung said allowing Kia, to wither was the most likely scenario. No domestic or foreign car company would buy Kia with all its debts.

Yet the government's strait-

vent a transfer of Kia's loans to dai had not changed its pre-crisis state institutions and the sale of a cleaned-up version. Mr Chung, who heads the biggest subsidiary of Korea's second-

next three to six months would determine how fast Korea would emerge from its financial crisis. Success would depend on the speed and decisiveness of the country's new president in laden Kia last October, would let steering through industrial

> companies to collapse or be Fundamental labour reforms panies to cut workers in response

to lower demand. He said that in the motor industry alone, Hyundai expected domestic sales to fall by between 25 per cent at best and 40-50 per cent at worst this year.

first trip outside Korea since the year". crisis, allayed fears among westened financial circumstances and ern rivals of a flood of cheap Korean car exports to maintain pro-

tional Monetary Fund would pre- duction at home. He said Hyuntarget of raising exports by 15-17 per cent - from a total of about 600,000 to 700,000 units - this

largest industrial group, said the Although the steep devaluation of the won would allow the company to cut foreign prices substantially. Hyundai intended to maintain prices. The increased margin would be used to cushion against deteriorating home conditions and to finance spending on restructuring to allow weaker improving the group's image abroad through advertising and marketing.

"We don't have any intention were also essential to allow com- to raise overseas sales dramatic ally. It would invite some trade conflict and it wouldn't improve our profitability very much.

Mr Chung said Hyundai Motors, which made net profits of Won67bn (\$54m) last year, would ent at worst this year. for 1997 report "a positive profit, However, Mr Chung, on his a little less than the previous

> Flip side of Asian coin, Page 12 US becomes top target, Page 7

EU to end dispute

The European Union is poised to end a dispute over animal products in soap and cosmetics that has clouded trade relations with

In the next few weeks, the EU and cosmetics.

from cooking animal carcasses and skimming off the residue, is almost universally used in both

tallow derivatives in the two industries was technically ban-

over BSE or "mad cow disease" The parts of animals most at risk of carrying BSE - such as brains, eyes and spinal cords - are usu-ally left in the carcasses used to make tallow. The ban was not enforced, critics say, because of

the legal uncertainty that has hung over hundreds of millions Europe,

It would also reassure Euroers that they would not have to make radical changes to the

Continued on Page 16

with US over tallow By Daniel Dombey in Brussels

the US for more than a year.

is expected to back changes that would allow products derived from tallow to be used in soaps Tallow, a fatty substance made

Last year the use of tallow and

its impracticality. Lifting the ban would remove

of dollars of US exports to pean soap and cosmetic produc-

EMS: Grid

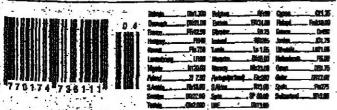


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About of the companyon are just milited to dischase within 15 per hard of europe central tales. against the other mambers of the mechanism. The exceptions are, more is a 2.25 per cent blind.

The French fretic, the Austrian schilling, the Dutch guilder, the D-Mark and the Belgian franc all converged on the EMS grid lest week, highlighting the disappear Tice of exchange rate volatility between them. Currencies, Page 23

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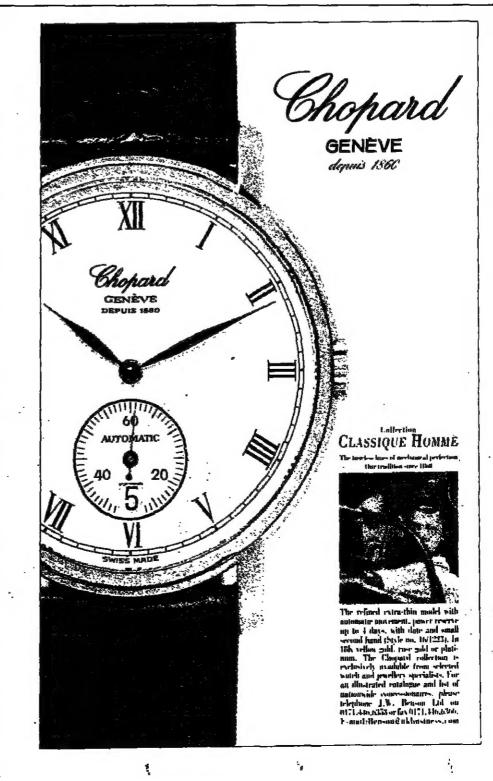
Creating a property braid

TRAVEL

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ment represents the most

radical shake-up of post-war

Bosnian politics, and is a vic-

tory for the international

community in its campaign

to forge a viable single state.

Mr Dodik, a 38-year-old busi-

pessman from the

north-west town of Laktasi,

is a committed supporter of

the US-mediated Dayton

He has allied himself with

Biljana Playsic, the pro-

western Bosnian Serb presi-

dent. Diplomats expect the

new government will give

the international community

the confidence to arrest

perhaps Mr Karadzic him-

The US is also about to

launch a drive to get refu-

gees to return to their

homes, although such an operation would need consid-

erable support from Nato

to fear from the interna-

tional community. We only

have to fear our own igno-

Mr Dodik said after an all

night session of parliament

in the north-east town of

Bijeljina. The nationalists

stormed out of parliament

and refused to take part in

Leaders of Turkey's Islamist

Welfare party yesterday appeared

set on a collision course with the

secular state after they ignored

warnings not to form a new Islamist

Necmettin Erbakan, Welfare's

leader, said: "This [Islamist] ideal

will be fulfilled by the children of

this nation, whatever the party or

opposition grouping.

rance and incompetence."

'We don't have anything

peace accord.

By Guy Dimmore in Belgrade

A moderate pro-western opposition leader was yesterday elected prime minister of the Serb half of Bosnia. ending six years of rule by hardline nationalists who launched the Bosnian civil

Milorad Dodik, whose party of Independent Social Democrats has only two delegates in the 83-seat Bosnian Serb parliament, was able to form a government of national unity with the support of Moslem representatives based in the Moslem-Croat federation that makes up the other half of Bosnia.

The former ruling Serb Democratic party led by Radovan Karadzic, who has been indicted for war crimes. failed to form a coalition with the ultra nationalist Serb Radical party following inconclusive elections in

Mr Dodik's new govern-

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Triumph for Italy wants virtue rewarded

Ciampi is building the case for admission to monetary union

arlo Azeglio Ciampi, Italy's Treasury minister, is likely today to take his country one step closer to its goal of joining the planned single European currency in 1999.

There are strong indications he will get broad endorsement of Italy's economic reforms at a meeting of European Union finance ministers in Brussels.

But even so Mr Ciampi knows he must wait a little longer before getting a firm signal his country can join the first wave of entrants to European economic and monetary union (Emu).

Over the last 12 months. Mr Ciampi - who at 77 remains one of Europe's more energetic finance ministers - has conducted a lightning restructuring of the economy in his determination to get Italy to qualify for the euro.

In his budget for 1998 he introduced fiscal tightening of L25,000bn (\$14bn) that is expected to keep the budget deficit to at least 2.8 per cent of gross domestic product this year.

Mr Clampi is going to considerable lengths to ensure a cast-iron case for Emu entry. He has even promised to publish the outline of the 1999 budget before the final decision on Emu entry at an EU summit in May.

Moreover, he has sought to counter three specific concerns about the state of Italy's finances: ■ The first concern is that

again. Ideals cannot be changed.

The constitutional court on Friday

closed Welfare for conspiring

against the secular state.It also

barred Mr Erbakan and five other

senior Welfare members from politi-

President Stileyman Demirel said:

"Nobody has the right or privilege

to violate the laws of the Turkish

aims cannot be changed."

cal office for five years.

organisation's names. Our nation Republic. Today's parties and ones fell far short of a majority.

the Treasury has drastically Although Moslem deputies cut transfers of cash to some supported Mr Dodik, none will have ministerial posi-500 public bodies over the 60 per cent of GDP - one of



Ciampi: must wait a little longer for firm Emu signal

laws that entitle these selfsame bodies to receive the transfers at a later date.

A draft report to be discussed by the EU finance ministers today claims this practice has created a stream of "residues" that could now amount to some 10.2 per cent of Italy's GDP, posing a "danger for future expenditure."

However, the report accepts assurances that the problem will be countered by a more scrumulous system of budgetary control. ■ The second concern is

centred on Italy's overall debt, which, at around 122.7 per cent of GDP in 1997, is among the largest in the EU. Here, Mr Ciampi has for the first time set out how the debt could be halved to

Turkish Welfare leaders defy party ban

Mr Ciampi's office dispast year without annulling the Maastricht criteria for agrees. It insists that the

tion to the constitutional court, the

Vural Savas, the appeals court pros-

ecutor who led the case against Wel-

fare, as saying: "If any party is act-

ing as the continuation of a

dissolved party, we will also seek its

Welfare emerged as Turkey's larg-

closure by the constitutional court."

est party in elections in 1995, but

Newspapers yesterday quoted Mr

prosecutor and the public."

monetary union - by 2009.

This, he says, could be

done if, over this period,

Italy achieves nominal GDP

growth of 4.5 per cent a year, a cost of debt at 5 per cent

and a primary budget sur-

plus (excluding interest pay-

ments) of 5.5 per cent of

Is this achievable? Giam-

Italian employers' federa-

tion, says Italy's primary

budget surplus is now 6.7 per

cent of GDP and that main-

taining it at 5.5 per cent for

12 years would virtually

remove the scope for tax

cuts and development spend-

ing. "The government would

have a tough political fight

on its hands to say the

tion are "optimistic but not over-optimistic." A boost in Italy's privatisation programme - beyond what is already accounted for in the Ciampi plan - is deemed to be possible and would generate receipts to reduce the overall stock of debt. ■ The pressure on Italy to reduce its debt quickly is

projections for debt reduc-

partly generated by a third concern - the potential for a rise in pensions spending in the second decade of the next century.

The judgment of the paper being submitted to EU finance ministers today is that last year's pensions reform by the government of Romano Prodi has "a medium-term effect that will last until 2007." After that, government figures show pensions spending as a proportion of GDP rising from 14.5 per cent to a peak of 15.79 per cent in 2032.

Paolo Onofri, Mr Prodi's adviser on pensions, tries to play down the concern about

He believes that, having first got the debt down to 60 per cent of GDP, the country paolo Galli, director of studies at Confindustria, the will have greater scope to deal with the pensions problem than it does now.

"We can either spend more money getting ourselves through the transitional phase of difficulty regarding pensions," he says. "Or we can reduce the burden of

Here, as elsewhere, the impression that Italy wants to create is that things should get better, not worse

try's first Islamist prime minister

for 11 months until a political cam-

paign led by the secularist army

forced him from office last June. Mr

Savas brought charges against Wel-

fare at the height of the campaign,

accusing the party of bringing the

Party members are obeying Mr

Erbakan's appeals for calm, but

gave him a hero's welcome at meet-

ings over the weekend.

country to the brink of civil war.

James Blitz

Greens stay in state coalition

Sec. 28.5

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Greens in North Rhine-Westphalia, Germany's most populous state, voted at the weekend to remain in coalition with Social Democrats in the state government, despite their opposition to plans for an extension of the local Garzweiler open-cast lignite mine. A crisis meeting near the existing Garzweiler site avoided the collapse of coalition which Greens and the SPD hope will also take power in Bonn after federal elections on September 27.

However, the meeting failed to resolve a policy split between the Greens and the SPD, which in North Rhine-Westphalia has based its economic policy largely around energy production, particularly coal. Greens still

hope to block Garzweller II.

The SPD meanwhile kicked off its campaign in the March 1 state elections in Lower Saxony, with opinion polls pointing to a "red-green" coalition a likely outcome of September's federal elections. But the SPD faces an internal row over the timing of its choice of candidate to run against Chancellor Helmut Kohl, Gerhard Schröder Lower Saxony's premier, called for a decision by the party eadership earlier than March 16. Ralph Atkins, Bonn

■ CZECH POLITICS

Right forms breakaway party

The Civic Democratic party (ODS), which led the Czech Republic from its foundation in 1993 until last month. imploded at the weekend when 30 of the party's 69 deputies formed a new party called the Freedom Union party. The split marks the end of the ODS as the guiding force of the country's transformation from communism.

The split is the result of a feud between senior members of the party and its founder, Vaclav Klaus, which came to a head last month when Mr Klaus was forced to resign as prime minister over a political funding scandal. The creation of the Freedom Union party means four main parties are competing for the centre-right vote against one party, the Social Democrats, on the centre-left.

Mr Klaus has vowed to oppose the government in its vote of confidence on January 27, which means it will need the support of the Social Democrats. They will decide how to vote next weekend after the government announces its programme. Robert Anderson, Prague

■ ROMANIAN REFORMS

President backs PM

Emil Constantinescu, Romania's president, has thrown his weight behind Victor Ciorbea, prime minister, and called an emergency parliamentary session on Wednesda for a vote of confidence in the government and the reform

Mr Constantinescu's move appears to be an attempt to call the bluff of the Democratic party (PD), the minority coalition pariner, whose demand last week for Mr Ciorbea's replacement sparked the present crisis. The president and prime minister belong to the majority party, the National Peasants.

The president said that from now on, every parliamentary vote on a new law would be considered a vote of confidence. If there were no censure motion within three days of a law being passed by parliament, he would take this as parliamentary authorisation for the government. The PD also does not want to provoke early elections, as its poll rating has slumped. Anatol Lieven

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NEWS: INTERNATIONAL

Saddam out to foil UN 'detectives'

ons of mass destruction, Baghdad has played a "cat and mouse" game with the UN special commission charged with finding and destroying the Iraqi arsenal (Unscom).

But with every round, Iraq's focus becomes more specific and in the latest standoff with the UN, Baghdad last week barred a team of inspectors led by Scott Ritter, an American it

On Saturday President Saddam Hussein renewed his threat to halt UN inspections and warned Washington against taking any military action over Baghdad's deepening row with the UN.

Experts who have been involved in inspections say that what Mr Saddam is doing - and getting away with - is distracting attention from the basic objective of inspection and seeking to make the process ineffective.

"Saddam has sought and de facto achieved that he can dictate that sites like presidential palaces cannot be inspected," says Tim Trevan, former senior adviser to Unscom. "And now he is dictating the composition of teams, which is like negotiating on a jury until you get the one most favourable to your case and ensuring that inspections teams are incompetent or do not have the expertise to carry out the

The unfortunate result, says Mr Trevan, is that the

By Robert Corzine in London

Several Opec states are stepping up their

efforts to find a politically acceptable solu-

tion that would allow the oil exporters'

group to back away from a recent decision

to increase its production ceiling by 10 per

The decision helped drive oil prices down

to their lowest levels in 45 months, a devel-

opment which threatens the budgets of a

An emergency meeting later this month of

number of Middle Eastern oil producers.

comply with inspections.

The job of finding and destroying lrag's arsenal involves often extraordinary detective work. It is so complex that many observers doubt it will ever prove satisfactory, since Iraq's past behaviour shows it is likely to do all it can to continue deceiving inspectors.

Critics of UN sanctions on lraq, meanwhile, argue that inspectors are so suspicious of the Iraqi regime that inspections could go on indefinitely - and thus so could sanctions, which can be lifted only when the UN declares Iraq free of weapons of mass destruction. "The whole thing depends on Iraqi co-operation," explains Terrence Taylor, a former chief inspector who is now assistant director at London's International Institute for Strategic Studies, "You cannot do it without co-operation and that is what the

current fuss is all about." Six years after Resolution 687 was passed by the Security Council requiring Iraq to make full disclosure of its weapons of mass destruction, significant progress has been made in uncovering and destroying Iraq's ballistic missiles as well as nuclear programmes.

On chemical weapons, lraq has yet fully to disclose its programme to develop VX, the most toxic chemical that remains of greatest con-

the ministerial watchdog committee of the Arabia engineered a 10 per cent rise in



Baghdad has barred inspectors led by Scott Ritter (left), who is accused of espionage Recorn

lighter quantity can kill

more people. It was not until 1995 that Iraq admitted having developed biological weapons. How this admission was forced out of the Iraqis is a typical example of the elaborate detective work involved in inspections.

As is often the case, the inspectors' first hard evidence that Iraq might be developing biological warfare agents came from import documents, which showed that in 1987 and 1988 Iraq had imported 40 tonnes of a substance called growth nerve agent. But the area media - which can be turned into fatal viruses and bac-

mendations if it is to have any positive

impact on the bearish sentiment pervading

world oil markets, according to officials pre-

paring for the meeting. Iran, the world's

third largest oil exporter, yesterday con-

firmed that its oil minister would chair the

Tehran is said to be growing more con-

slide in oil prices that followed the Novem-

ber meeting of the Opec, at which Saudi

meeting in Vienna on January 26.

Opec move to back off output decision

tries will have to agree on specific recom- committee cannot roll back the ceiling

cerned about the financial impact of the sultanate of Oman called for a meeting of

is biological weapons, which amount bought by Iraq are more dangerous than seemed hugely out of line chemical agents because a with normal medical use.

The inspectors' first task was to try to account for the 40 tonnes, and the Iraqis provided documents proving the substance had all been delivered to hospitals. But Mr Taylor, for example, was given 23 documents which, after forensic checking. appeared not to be originals.

"When we asked for the originals, we were told some were lost and they had to reconstruct them," he recalls.

"When we asked how they were lost, they said they were burnt in a fire. When we asked how documents in a metal cabinet would catch fire, they said cern - and has sparked the terla. Although the sub- the door of the cabinet was international community crisis with the Security stance can be legitimately open. Each story individubecomes focused on appears. Council in recent months - used in hospitals, the ally could have happened, agents. But they insisted

Organisation of Petroleum Exporting Coun- Opec's production ceiling. Although the oil industry observers say its appeal is sig-

increase, Opec officials say it will need to

agree specific steps aimed at easing the pres-

sure on prices. "Creating a lot of market

expectations and then just agreeing on gen-

eralities would be a disaster," said one Mid-

The growing concern over weak oil prices

was highlighted yesterday when the Gulf

regional oil ministers to come up with a

dle Eastern oil official yesterday.

response to weak prices.

but not all out together." Even before inspecting the documents, suspicions about a biological weapons programme had led inspectors to draw up a list of all facili-

ties containing equipment

that could be used to turn

teria and viruses or could in any way contribute to a biological weapons programme. So they had to visit and inspect facilities ranging from detergent factories, pharmaceutical production

ble-oil processing plants. By July 1995 enough evidence had been uncovered with Iraqi officials, who had to admit that Iraq had indeed developed biological

important production facilities for anthrax - a living organism with fatal effects in humans and animals which was being produced under the cover of such products as protein additives

for animal foods.

If much scepticism remains today about Iraq's biological weapons, it is because the Iraqis have said they had filled 25 warheads with biological agents but claimed they had destroyed the warheads, without being the growth media into bacable to show inspectors where or how.
Although Iraq is not

they had only produced the

agents. They had not filled

This turned out to be a

half-truth. in August the

same year, the defection of

Hussein Kamel Hassan, Mr

Saddam's son-in-law, who

had been responsible for

Iraq's weapons procurement

programme before the Gulf

war, forced the Iragis to con-

fess to having filled missile

warheads and tactical field

artillery with incapacitating

This led UN inspectors to

several sites, among them Al

Hakam, one of the most

weapons with them.

accused of continuing to develop blological weapons, "we still don't know the level and range of their bioplants and breweries to logical weapons, the persondairy factories and vegeta- nel involved and where everything was carried out." says Mr Taylor. "We need to know this in order to carry and suspicion nurtured to out long-term monitoring. warrant a confrontation Biological weapons can be restarted in dual facilities if we loosen the grip."

Roula Khalaf

nificant as it shows the depth of feeling in

the region that the Saudis may have mis-

Some Opec states fear Saudi Arabia, the

dominant Opec oil exporter, may dig in its

heels to save itself the political embarras-

ment of having to drop a policy so closely

"All countries make economic mistakes

sometimes," said one Middle Eastern oil offi-

cial. "But no country can afford to be obsti-

nate in respect to the revenues of other

timed their initiative.

identified with Riyadh.

Khatami rival denounces US

Efforts by Iran's President Mohammad Khatami to improve relations with the US suffered a setback at the weekend when members of parliament gave a standing ovation to a speech by Ali Akbar Nateq-Nouri, the parliamentary speaker, in favour of Ayatollah Ali Khamenet, Iran's spiritual leader, following the ayatollah's scathing attacks on the US.

"All MPs started shouting 'death to America'." according to one eye-witness. Ayatollah Khamenei, in his Friday prayers speech at Tehran university attended by many of Iran's senior government officials and military officers but not Mr Khatami, said Iran did not need any talks or relations with the US.

He described the US as "the enemy of the Islamic republic, the enemy of your Islam, of your independence and of your honour". Talks with the US have no benefit for us and are harmful to us," he said. It was Ayatollah Khamenei's first public reaction to Mr Khatami's CNN broadcast on January 7, in which he called for "dialogue and understanding" and cultural exchanges with the US. According to Iranian observers, the setback to President Khatami's policy of dialogue may not last. Mr Khatami's opponents, they say, have no policy to offer except continuing isolation for Iran, whereas he was elected to the presidency in a landslide vote by offering a new beginning and the end of isolation. Robin Allen, Dubai Cohen to urge missile sales halt, Page 4; Kinkel considers

KENYA FLOODS

Heavy rain kills at least 86

Floods caused by the heavy rain have killed at least 86 people and caused the worst damage in Kenya's recent history. In the capital Nairobi, one-third of the city's 2m population was yesterday left without fresh water after a main supply pipe snapped into two, apparently after heavy rains exposed it.

Torrential rains were expected to resume on Wednesday or Thursday and President Daniel arap Moi has appealed for international help to help flood victims and repair Reuters, Natrobi

TROOPS WITHDRAWAL

Israel delays presenting plan

Benjamin Netanyahu, Israeli prime minister, will not present israel's plan for the scope of an overdue troop withdrawal from the occupied West Bank when he meets Bill Clinton, US president, in Washington tomorrow, the Israeli cabinet decided yesterday. Israel's reluctance to say how much land it would cede to the Palestinians has obstructed efforts to revive the Israeli-Palestinian peace process. Washington has urged Israel to carry out a "credible and significant" redeployment in the West Bank to rebuild Palestinian confidence in the talks. Yassir Arafat, Palestinian leader, is scheduled to meet Mr Clinton in Washington on Thursday.

Palestinian officials said the decision was the latest indication that Israel had no intention to try TO break the deadlock in Washington this week. The cabinet will only consider the further redeployment "up to a ceiling which will not damage the vital interests of the state" after Mr Netanyahu returns from Washington.

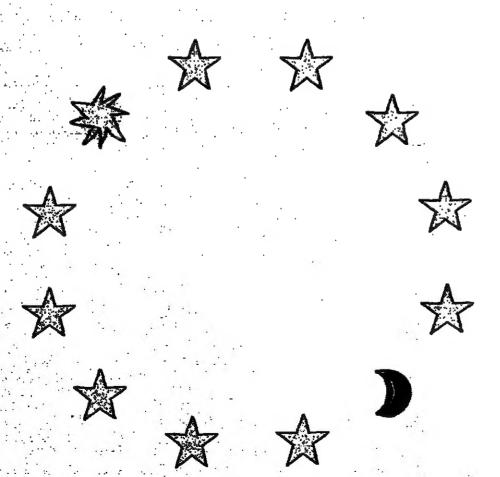
Avi Machlis, Jerusalem Editorial Comment, Page 15



Although Oman is not an Opec member, sovereign states."

Degussa on Europe

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By Sander Thoenes and Peter Montagnon in Jakarta

Bakrie & Brothers, the diversified Indonesian conglomerate, has hired Chase Manhattan as its financial adviser to help the group meet looming off-shore debt obligations, amid growing signs that Indonesian enterprises are ready to sacrifice assets and image to save

themselves. Bakrie & Brothers, the listed part of the Bakrie Group, is the first Indonesian company to publicise efforts to restructure and reduce exposure to short-term debt, which has least \$80bn was private debt tripled in rupiah terms over and much of it was not the past few months as the hedged. currency has collapsed.

groups are believed to have nired similar experts. Most Indonesian enter-

prises have been slow to respond to their debt exposure - and almost all have publicly denied it - expecting the currency to recover before debt payments start to hurt. But the rupiah fell from Ro2.600 to the dollar in July to Rp10,000 earlier this month, ending at Rp8,200 on central bank intervention on

Last week the government estimated foreign debt had reached \$140bn, including S20bn in short-term debt. At

Bakrie and most other Ciputra Group, a leading companies have in recent property company, has yet weeks negotiated rollovers ia's most heavily indebted to confirm reports that it for much of their debt, as hired ING Barings as an they are technically bank-

rate. Bankers fear any new fall of the rupiah could spark a debt moratorium, official or de facto. At least 40 companies have already defaulted, by market estirarely gone public on bad

Bankers said the prospect solution to Indonesia's corporate debt problems was of companies involved and the wide range of borrowing instruments they have used. Because Indonesia has no workable bankruptcy law, lending banks are unable to foreclose and attach the

assets of debtor companies. Compared with Bakrie, known to be one of Indonescompanies others are better reserves to holster the placed. Companies in the

adviser, and numerous other rupt at the going exchange Sinar Mas group, which has and paper, have borrowed in international bond markets relatively recently.
One difficulty if Indonesia

opts for a moratorium is that mates, but lenders have it could drag down companies otherwise capable of

But at present exchange of finding an over-arching rates almost no company can afford to meet obligations and many have quietly stopped doing so. Local brokers estimate that less than 10 per cent of listed companies are solvent at present

the performance of the rupiah. A modest recovery on Friday was widely attributed to intervention by the central bank which has so far been reluctant to use its

Hanoi acts on currency

By Jeremy Grant in Hanoi

Vietnam's central bank has introduced measures aimed at attracting hard currency away from the unofficial market and into the banking system, in a bid to ease pressure for devaluation.

One measure allows foreign banks to book forward foreign exchange contracts for corporate clients for the first time, offering traders a chance to hedge against future currency move-

The move coincides with a further hardening of the International Monetary Fund's stance towards the communist authorities over stalled economic

IMF officials said a visiting mission

had issued a blunt message to Hanoi that talks over fresh concessional funding - already months behind schedule - could not restart unless there were steps taken to reform state-owned enterprises and debt-ridden banks. Foreign bankers nevertheless wel-

comed the central bank decisions. They were also encouraged by a second decision designed to force export-

ers to sell surplus hard currency to banks. Signs that exporters have been hoarding dollar receipts and trading them through unofficial channels have alarmed the authorities, faced with an

acute shortage of hard currency. The local currency, the dong, is non-con-

These two regulations, hand in hand, could take some of the short-term pressure off calls for a devaluation. It's a good step towards redressing the gap between supply and demand." said Peter McLean, treasury manager at Standard Chartered Bank.

Pressure has been mounting on Vietnamese banks and traders to find dollars to meet short-term trade obligations, many of which are falling due as stricken Korean banks and trading

houses call in debts. Bankers say about \$600m is owed to Korean, Japanese and other institutions over the next three months. Korean embassy officials admit to unpaid debts to Korean companies of about

sales halt

By Tony Walker in Beijing

William Cohen, US defeuce secretary, this week will seek to prise open China's secretive military in a visit to prepare for a tour to Beiing later in the year by President Bill Clinton.

The defence secretary will also press Beijing for firm missiles to Iran. China has said it will halt transfers of C-801 and C-802 cruise missiles, but has been vague on whether this refers to new or existing con-

The US has been urging Beijing to engage in mor candid discussions about security issues and to open its military facilities to closer scrutiny, but Washington has been frustrated by Chinese lack of opennes

Mr Cohen's visit is also being billed as the beginning of a "new phase" in military relations following the successful summit last October between Mr Clinton and Jiang Zemin, his Chinese counterpart.

"I think we are entering a new phase of our military relationship now," said a defence official travelling with Mr Cohen.

Washington is auxious to expand a military dialogue to eliminate distrust and promote co-operation with

Mr Cohen said the US would maintain an embargo on arms sales to China, in force since the Tiananmen

Cohen to China wakes to need for banking reform

ai Kianglong, Chi-na's central bank governor, did not use the word "recapitalisation", but it seems that at last China is becoming serious about tackling one of its most critical problems - a debt-paralysed banking sys-

During a two-hour press briefing Mr Dai spelled out what appears the most credible programme yet aimed at strengthening regulation over China's banks, forcing the closure of money-losing branches, enhancing compe tition with the establishment of dozens of local commercial banks and, most important, accelerating debt write-

He also made it clear the authorities would take aim at cronyism in the provision of loans by enforcing rules hanning officials interfering in bank lending decisions a chronic problem.

Banking analysts, who have sharply criticised lack of progress towards reform, now concede that Beijing is making progress in building what Mr Dai refers to as a "modern financial system". He has set 2000 as the target for such a system

But analysts also say that China's banks, whose loan portfolios are riddled with problems, are far from out of the woods and that the next year or so will be critical. South-east Asia's financial

crisis has sent chill winds across the region and has helped concentrate minds in

China and now an analyst reducing banks' funding with Credit Lyonnais Securities in Hong Kong, says: "It many Chinese banks are technically bankrupt. Fortunately the government is trying to do something about of Asia fall in droves. it - and the market is also

The finance ministry has raised the ceiling under which banks can write off bad loans to 3 per cent of total assets, compared with 1 per cent previously. Given that the proportion of banks' bad loans is far higher than 3 per cent, this restriction is nition by Beijing that banks must be recapitalised.

Beijing has cut intere rates three times over the past 18 months, with deposit rates being cut more aggres-

China: banks' average interest margin Official banchmark lending rate

sively. As a result banks' average interest rate margins are rising, which should enhance profitability and help absorb bad loans. Falling inflation is work-

ing to banks' advantage because it means financial institutions are no longer obliged to pay an "interest rate subsidy" on deposits to take account of inflation. This is proving, in Mr Zhang's words, a "life-saver" for these institutions.

Banks are also benefiting from changes in the public's inflationary expectations, with deposits skewed

The financial crisis in Asia is focusing minds in Beijing

Joe Zhang, a former officer towards the short end of the of the People's Bank of maturity spectrum. This is costs, but without eroding their deposit base. Bank deposits rose about 18 per cent year-on-year in 1997.

"Chinese banks have seen their counterparts in the rest reminding them how vulnerable they are," Mr Zhang

The central bank is closing down a large number of bank branches, finance companies and credit unions to tighten supervision. If these measures are allowed to work for a few years, we will see a better capitalised and still too rigid, Mr Zhang managed banking system tor whose main task had

> This was certainly Mr Dai's message, but the pummelling into shape an unwieldly banking dinosaur dominated by the "big four"

state-owned commercial institutions - Industrial and Commercial, Construction, Agricultural and Bank of

about 80 per cent of banking business, and the bulk of had loans Mr Dai says 5-6 per cent of loans are bad and will have to be written off, about 20-25 per cent of loan portfolios would be classified as problem loans by western standards.

Among the more important reforms envisaged over the next few years is the introduction of loan classifications according to Bank for International Settlements standards, thus bringing China into line with western

"It is expected that another two years of effort will bring loan management of the Chinese commercial banks to a relatively high standard," says Mr Dai. Other measures which

should help enliven China's banks include encouragement to lend to the more dynamic non-state sector and establishment of a mortgage finance market for This is a long-awaited step

and, if handled prudently, should add significantly to profits

Mr Dai also pledges to encourage the expansion of foreign branch activity in China to enhance competi-

The green light for local commercial banks in some 300 centres is also aimed at enlivening a moribund secits and hand them over to loss-making enterprises, many of which had no inten-

Tony Walker

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ED TAKEOVER

Regional leaders join PNG peace bid

By Gwen Robinson in Sydney

Australian and New Zealand negotiators will try to broker a permanent truce between warring factions from Papua New Guinea's far eastern island of Bougainville in peace talks starting today in New Zea-

The five-day meeting will bring together for the first time the main parties to the onflict, as well as regional eaders including New Zenland's prime minister, Jenny Shipley, and the Australian foreign minister. Alexander

Secessionist opposed to PNG's rule have been waging a campaign against the government for nearly four decades. The current guerrilla conflict was triggered more than nine years ago by local protests over development of the Panguna copper mine by Bougainville Copper, now a subsidiary of Rio Tinto.

Australia and New Zea land became involved in peace efforts after attempt by successive PNG governments to curb the rebels culminated in an ill-advised operation to wipe them out by employing foreign mercenaries - known as the Sandline affair.

New Zealand's foreign minister. Don McKinnon expressed optimism that today's meeting, the third round of talks, would lead to a permanent ceasefire. But a longer-term solution luctuding the possibility of a referendum, was some way off, he acknowledged.

to be complicated by Rio Tinto's confirmation last month that the company had no intention of permaneutly abandoning its Bougainville mining project, which was closed by the

Indian city breathes fresh financial air

By Krishna Guha in Ahmedabad

Three years ago, the city of Ahmedabad in India's western state of Gujurat was on the verge of insolvency. Today it has an annual surplus of Rs800m (\$20m) and a domestic credit rating of A+. On Friday, it launched India's first public issue of municipal bonds - aiming to raise Rs1bn (\$25.1m) to mod-

Financial health is yet to transform everyday life in the chaotic textile city of 3.5m people, but signs of change are visible on Ahmedabad's streets.

ernise its water and sewer-

centre. The Law Gardens park is immaculately maintained and in full flower. And the streets boast dozens of new boutiques and a parade of giant back-lit advertising hoardings. Now, the city hopes its bond issue will allow it to start tackling the big infrastructure chalenges which lie ahead.

"This is take-off time," said B. K. Sinha, municipal commissioner. "It is the first time any municipal corpora tion has gone to the public" in India, he said. The issue would "establish credibility in the market" and pave the way for future debt issues. Mr Sinha said bond issues

allowed Indian cities to plan infrastructure development rather than respond ad hoc to the relentless pressure of population growth. "It would take 10 or 15 years to finance a project like this out of reserves," he said.

A little over three years ago the municipal corporation "could barely find enough money to pay salaries - we could not think of taking on any new projects." said Mr Sinha The recovery began under

now at the World Bank. "He found leakages at the checkposts where traders pay octroi la tax on movement di goods into the city l" said Mr Sinha. The leaks were "plugged" and the corporation "suddenly shot into surplus". The money was spent on repairs to roads, pavements and water pipes in an attempt to get public support for more fundamental

Mr Varma realised that to cut tax evasion permanently, the city had to shake up its tax collection and records.

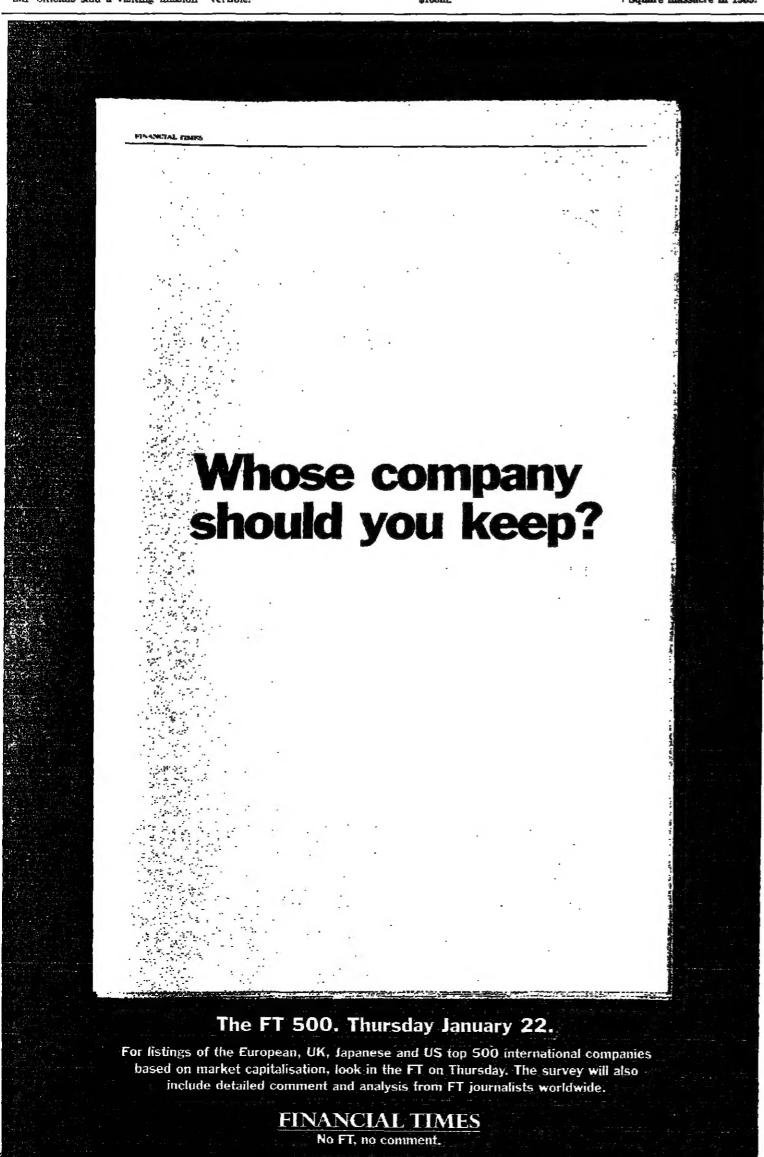
Ahmedabad has now computerised the two main octroi checkpoints and half the register of taxable properties. By the end of the year it hopes to complete the property register and com-

puterise more checkpoints. Ahmedabad developed ties with USAid, which provided advice on how to build a municipal finance system and gave \$25m in guarantees to help finance the water project. It also joined international municipal associations to swap experience

with other cities worldwide. Ahmedabad - which has asked private companies to take over public amenities in return for advertising rights - is in favour of further pri-

Mr Sinha's efforts are to concentrate on widening the tax base, "We have 850,000 properties on our register. but only 350,000 pay tax," he said. "Let the others pay only one rupee a day."

Earl Kessler, director of regional urban development at USAid, believes the city has made a fundamental shift - parting ways with india's old socialist philosophy of entitlement. "They have said taxes will be collected and people will actually receive the services they



dah during Ramadan.

Philippine Airlines said

last week it planned to can-

cel orders for four Boeing

aircraft. The four B747-400

aircraft were due to be deliv-

ered to the airline in phases

beginning near the end of

1999. The move was because

of PAL's debts and inability

to turn a profit, according to

THE TOTAL PROPERTY.

加州省,种种关闭的原理

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followed by Hasgen-Dazs,

the luxury ice cream maker

owned by Diageo, the food

*Ice Cream - A World Sur-

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London ECIM 5NA. E8,950.

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Global value

Malaysia seeks Boeing delay

By Sheila McNutty in Kuala Lumpur

Malaysia Airlines System. the national carrier, is in discussions with Boeing of the US to delay the delivery of 20 aircraft by up to five

The delay, involving the bulk of a 25-aircraft order said last year to be worth had been hit hard by the M\$10bn (US\$2.1bn), illus- regional financial crisis. Not ings to suffer. For the year trates how severely the only was its US dollar south-east Asian financial crisis is hitting Malaysian \$3bn becoming increasingly cent increase in full-year, companies and the impact it expensive to pay, but the

The US dollar price tag of declined. Before the crisis, Tajudin spoke optimistically the wide-bodied aircraft has the airline flew 1.3m passen of the airline's expansion risen sharply with the steep decline in the value of the over the past six months.

nama, that Malaysia Airlines

gers a month, but now it flew only about 1m, he said, ringgit against the dollar adding that even traffic on its best performing London Tajudin Ramli, the air- route had slowed. "Our reveline's chairman, said in an nue has come down but cost interview with the govern- has gone up, so the impact is ment news agency. Ber- quite dramatic for us," he

Mr Tajudin expects earnended March 31, 1997, the denominated debt of close to airline announced a 39.1 per pre-tax profit to a record M\$349.4m. At that time, Mr cutting some destinations on a local press report.

plans, though analysts privately worried about the company's large debts and in-flight service standards. The regional slowdown has highlighted those shortcom-

Mr Tajudin said Malaysia Airlines planned to sell four of its DC-10s and one Airbus A800 this financial year and was also considering selling six 737-500s and leasing back

It is also contemplating

Australia weighs S Korea dropped, Mr Tajudin called the Kuala Lumpur-Jeddah route "non-viable", noting guarantee that the airline had already stopped flying daily to Jed-

By Gwen Robinson

The Australian government is expected today to decide on a controversial proposal to provide emergency trade finance guarantees for some of Australia's A\$7bn (US\$4.5bn) exports to South Korea, amid growing concern about collapsing Asian export markets.

The plan, drawn up in response to pleas from Australia's commodity exporters, will top the agenda at the first meeting of the year for the cabinet of the prime minister, John Howard.

The proposal calls for invoking a "national interest" provision to provide some A\$500m in credit insurance for exporters to Korea through the Export Finance and Insurance Corporation (EFIC).

After several months of onomic turmoil in Korea, EFIC has virtually reached its limit for covering exports to Korea, Australia's second largest export market after Japan. The body is government-funded, but is required under its charter to make decisions on a commercial basis.

Last week, EFIC warned banks it would start cousidering proposals to insure, trade finance lines on a case-by-case basis and in some instances would provide cover of only 20 per cent or less of funds at risk. EFIC usually insures banks for 90 per cent, or occasion-ally even 100 per cent, of

The cost of such insurance, in many cases, has nearly trebled from a year ago and Korean buyers have been encountering difficulty securing letters of credit.

Australian exporters have. warned that without extra vernment guarantees they will be unable to compete with US counterparts, following Washington's move late last year to institute a special US\$1bn credit guarantee programme for agricultural exports to Korea.

European Union ministers will review proposals for labelling genetically modified food following the failure

by food experts to agree on the labelling issue. In December, the European Commission proposed protein and DNA tests to decide whether to label foods as containing genetically modified soys or maize. The Commission also agreed to say in certain cases products "may contain" genetically modified organisms.

However, consumer groups have criticised the Commission's proposals as too lax, while producers believe that the use of DNA tests will mean that too many foods are labelled as containing genetically modified organisms. Several groups have also said that the phrase "may contain" would be too vague to provide practical help for consumers.

SWINE FEVER

Germans tackle outbreak

German agriculture authorities stepped up efforts at the weekend to control an outbreak of swine fever in Mecklenburg-Vorpommern, in north-east Germany Across the country, \$2,000 animals were expected to be slaughtered. The European Union's veterinary committee is expected to review the crisis on Wednesday but the Bonn agricultural ministry appeared confident at the weekend of avoiding EU action.

Animals from the affected region were delivered to North Rhine Westphalia and Lower Saxony and other parts of Germany where slaughter plans have also been Ralph Atkins, Bonn

IN ISRAEL ELECTRIC CORPORATION

Credit agreement reached

Israel Electric Corporation (IEC), the state-owned electricity supplier, has approved its first unlimited credit framework with a European bank, Deutsche Morgan Grenfell, to ease its access to European markets. The framework will allow IEC to finance future projects involving purchases from European companies through

the bank. The company also approved its first credit arrangement within the framework - DM73m (\$40m) to finance a project on a new power plant that will be carried out by Lentjes Bischoff of Germany.

Last year, the company was granted DM457m in credit from German banks, FFr21m (\$8.4m) from French banks and SFr39m (\$26.3m) from Swies banks. IEC also raised \$425m last month in a Yankee bond offering to finance part of its six-year, \$8.5bn development plan last month. Avi Machlis, Jerusalem

GERMAN TRADE

Kinkel considers Iran policy

Klaus Kinkel, German foreign minister, yesterday said Bonn was considering ways to extend new export credits to Iran, Mr Kinkel said Iran had used up its limit of DM150m (\$82m) in Hermes export credits, but German industry was putting pressure on the government to expand the credits.

Mr Kinkel was quoted by the Frankfurter Rundschau newspaper as saying the issue would play "an important role" in the next round of bilateral talks. Reuters Bons

Global taste for ice cream

Consumer industries Editor

More than half the growth in the global ice cream market over the next four years will come in the developing countries of Asia, Africa and Latin America, according to a report* published today by Euromonitor.

The market research company says ice cream sales - to demographic changes which have averaged real with fewer children and growth rates of more than 5 more older people. One stratper cent a year since 1993 will rise from \$48.8bn in 1997 to \$57.6bn by 2001.

But the fastest growth rates will be outside the customers. developed countries, with

By Guy de Jonquières

Leading business organisations in

the US and Europe are concerned

that a planned agreement to promote foreign direct investment

seems likely to dismantle few inter-

national barriers and may create

The Multilateral Agreement on

Investment (MAI), being negotiated by the 29-member Organisation for

Economic Co-operation and Develop-

ment, has been billed as an attempt

to devise rules and disciplines com-

But business representatives said

they were disappointed the talks had

parable with those for world trade.

Japan) set to double and those in Latin America forecast to rise by 50 per cent. Sales in north America and western Europe, which currently account for 76 per cent of the global market, will rise less than 10 per cent

over the next five years. In these developed countries, the report says, manufacturers will have to adapt egy will be to shift to more elaborate products that can compete with other forms of desserts and snacks for older

The report predicts a rosy

MAI for us?"

failed so far to achieve any real lib-eralisation and worried the agree-tive attitude after meeting OECD

ment might impose restrictive negotiators late last week.

labour and environmental standards

"We now hear of disturbing signs

that many of the elements we were

hoping for may not be possible," said

Herman van Karnebeek, deputy

chairman of Akzo Nobel, the Dutch

chemicals group, who heads the OECD business and industry advi-sory committee. "What then, we are

beginning to ask ourselves, is in the

Frans Engering, chairman of the

agreement contained flaws, which

required further negotiation. But he

dismissed some criticisms by busi-

ness organisations as misplaced, and

OECD talks, conceded the draft guards.

on multinational companies.

chains such as Baskin Rob- amount, at nearly 16 litres a bins, owned by Allied Domecq of the UK, and

Dairy Queen of the US. The US remains the world's largest ice cream market, with 44 per cent of global sales. The average American consumes just over 20 litres a year, and spends \$82 - most of it in the country's 13,300 parlours.

Average consumption in western Europe is much lower, at 5.5 litres a head, costing \$29 a year. Italians are the region's biggest spenders, buying ice cream worth \$78 a year on average again mostly in more than 27,700 ice cream bars.

year per head - almost none of it in parlours. Asian consumers spend

barely \$1 a year on ice cream, eating just over half a litre on average. But sales have more than doubled over the last five years and Asia will overtake western Europe in volume terms by 2001. Unilever, the Anglo-Dutch

consumer products group, continues to dominate the global market, with over 20 per cent of sales. This is more than three times those of Nestlé, the Swiss group which is number two in the market.

Third is Baskin Robbins,

Nonetheless, some business repre-

fled with the final agreement, due to

support its approval by OECD mem-

stepped up their lobbying partly to

counter demands by trade unions

and other non-government bodies for

tough provisions in the MAI to

strengthen environmental safe-

Many of the demands are sup-

core labour standards and

Business organisations have

ber parliaments.

Worries over planned investment accord centatives say unless they are satisplanned investments.

and drink combine.

Some business lobbyists are worbe completed by April, they will not ried that strengthening labour standards provisions in the MAI could make it harder for governments to adopt policies designed to create more flexible labour markets.

They also complain that OECD governments are still attaching reservations and exceptions to commitments to protect foreign investors and are balking at a binding undertaking to renounce abusive tax trest ment of foreign-owned subsidiaries.

ported by the US, which is pressing Mr Engering said the MAI talks now needed to move beyond technihard for tighter environmental provisions in the MAL Although busical issues to political discussions. ness groups say they can accept These will be held next month, when some US goals, they oppose a pro- OECD deputy ministers meet in posal to require environmental Paris.

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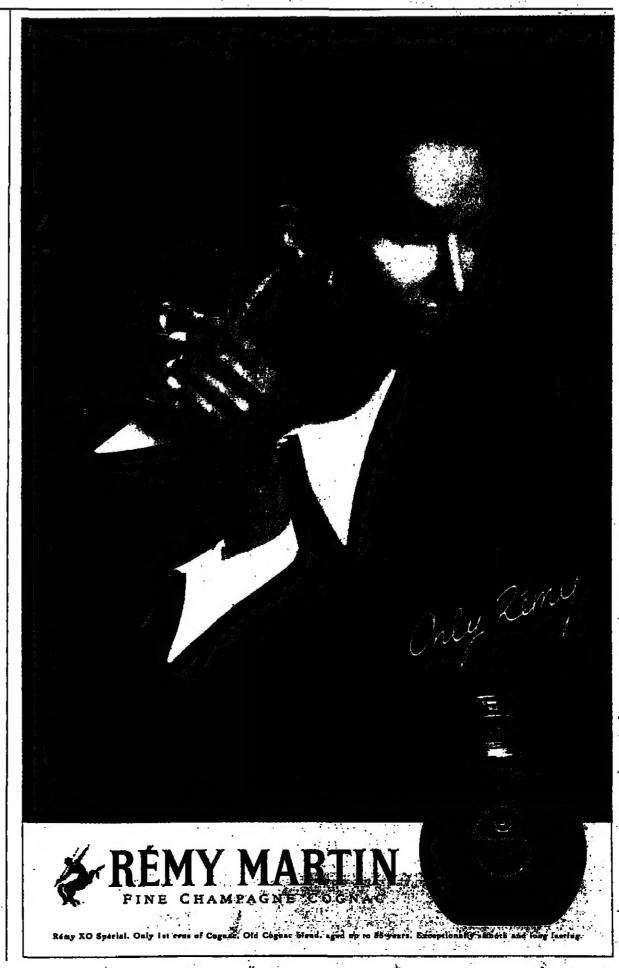
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Republicans' efforts to regroup dogged by rifts

mittee meeting in Indian Wells, California, over the weekend grew fierce enough that delegates looked as if they would rather be attending the hotel's other conference: the First Annual Fun and Sun Esthetic Dental

Speakers from Newt Gingrich, House speaker, to Jim Nicholson, party chairman, made every effort to project an image of vigour and unity at the Republicans' agendasetting winter gathering. But, despite their best efforts, fractious internal debates, particularly over the ever-contentious issue of abortion, betrayed the Republicans' deep divisions as they struggle to map out gent President Bill Clinton.

Points of difference ranged from whether to pursue a campaign to scrap the tax code to how to attract more support from minorities, but

t times the argu- represent just a tiny fraction A ments at the Repubof the total, the Republican
lican National Commajority in Congress has tent" in which libertarians
and religious conservatives twice passed a bill to ban them. Both times the bill has been vetoed by Mr Clinton, and moderate Republican leaders such as Christie Todd Whitman, New Jersey governor, have done the same in their states.

For the party's increasingly vocal social conservative wing that is unacceptof A group

vision of the party as a "big can embrace competing positions on some issues while agreeing on others, senior officials ranging from Trent Lott, senate majority leader, to Henry Hyde, influential chairman of the House judiciary committee, weighed in against the measure.

Despite such firepower, the proposal was only

The abortion issue still casts a cloud over party, writes Mark Suzman

rightwingers formally prowithhold campaign funds from any candidate who would not publicly accept the han. That caused panic among party leaders, who feared such a test would conabout narrow-minded Republican ideologues, damaging their chances of retaining control of Congress in

defeated by a narrower than expected 2:1 margin, demonstrating its strong resonance among the rank and file. And as an election primary last week for a vacant congressional seat in California showed, the issue is not going away: with the help of last- minute advertising on the abortion issue by religious groups, an outsider

Promoting instead the cedure narrowly upset a cer trist candidate favoured by Amid all the debate there was at least one issue that committee

remained firmly united on: absolute opposition to Mr mise resolution adopted on the abortion question blamed him for the whole problem, and he was the butt of countless jokes and

Mr Clinton was also the indirect cause of the committee's one source of unmitigated satisfaction, a formida-ble campaign war chest for this year's elections. With Democrats hurt by the scandal over fundraising improprieties in the 1996 presidential race, Republicans will be able to outspend their opponents, giving them a critical advantage

But as Mr Gingrich told the assembled delegates, if the party is going to wrest react to and criticise his



Newt Gingrich: getting tough on schools

and welfare reform now popular Mr Clinton, and hence neutralised, they need to look elsewhere.

Although tax cuts and the war on drugs continue to seemed to garner most enthusiasm from delegates was education. To resounding applause. Mr Gingrich proposed tough standards for failing schools, required teaching in English and extra lessons on the declaration of independence and the constitution to promote civic

fact that sixth year elections appropriated by a highly for two-term presidents normally result in hefty defeats for the incumbent's party, it was notable that few speak-

> liation in November. Perhaps the most telling comment of the weekend was when Mr Nicholson praised the party for its willingness to argue over contentious issues and urged the public not to "confuse array". With anti-abortion activists already vowing to resume the fight, it seemed an expression of hope as

World Bank builds link with business

The World Bank is to make its first big effort to work with companies on development projects. The bank hopes the move will encourage development agencies to

James Wolfensohn, the bank's president and a former investment banker, is Business Partners for come resistance among the institution's staff.

Jean-Francois Rischard. vice-president for finance ment, said: "The scheme illustrates a very different World Bank, and a very different world. The public sector isn't hacking it alone any more.

The bank had found it tives to discuss development issues than for conventional financial matters, he said. British Petroleum is the

first company to have agreed to join the scheme, which will initially involve projects in education, youth, water. and natural resources across

Projects could involve community development around oilfields, or child labour projects near textile plants. Non-governmental development have been adeorganisations and corpora-

The bank is in talks with puter companies. In a document sent to interested busiwould be to improve their standing with local communities and employees, rather than to earn profits on the in push boost it investm

The projects might also

encourage participating companies to adopt better praccation and sanitation. corporations are potentially huge, unexpected carriers of

best practice," he said. Initially the scheme is to last three years. The bank hopes the pilot projects will be followed by larger proaim is to disseminate the idea to companies, governments and agencies that "business partnerships for development can be much more widely used".

Mr Wolfensohn said at a May: "There is an inevitable logic that we should come that the paradigms of this

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NEWS DIGEST

Public opinion backs Clinton

American public opinion has shifted towards President Bill Clinton in the sexual harassment suit brought

against him by Paula Jones, a former Arkansas state clerk. As the president endured six hours of questioning for Saturday's deposition, a Time magazine/CNN poll said 42 per cent of Americans believed his assertion that he could not remember Ms Jones and had never met her in a hotel room to demand oral sex. per cent believe her version of the story

Seven months ago 37 per cent believed Ms Jones and 36 per cent the president. The president had tried to prevent the case coming to court during his term of office, arguing no president had had to defend himself in such a way. The argument was rejected by the Supreme Court, requiring Mr Clinton to give the deposition, a legally binding account of his

version of events that will be used as evidence at the trial His evidence was videotaped The shift in public opinion follows several months in which there has been little news about Ms Jones' allegations. What publicity there has been has focused on

her acquisition of a rightwing media adviser. The White House has had nothing to say. But conscious of the "visuals" to be broadcast on the evening news, the president's media experts switched the location of the deposition from the White House to Mr Clinton's lawyers office, so that Ms Jones would not be photographed

entering the White House. The polls are certain to change once the trial begins. when both the president's and Ms Jones' sex lives are brought into evidence. Donovan Campbell, Ms Jones lawyer, yesterday hinted that he intended to reveal "a pattern of harassment" by the president in approaching other women and giving rewards for sexual favours.

CUBAN VISIT

Pope a 'critic of capitalism'

Cuban president Fidel Castro, who will host an historic visit to Cuba by Pope John Paul II on Wednesday, has said he views his visitor not as an anti-communist "exterminating angel" but as a like-minded fellow critic of the problems of capitalism.

In a six-hour television appearance on Friday night the 71-year-old Cuban leader scoffed at what he said was the vision being created by Cuba's enemies in which the Pope was seen travelling to Cuba like some kind of exterminating angel... to meet the devil Castro in the

last bastion of communism" Mr Castro suggested that, on the contrary, he and the 77-year-old Polish pontiff shared much in common. Since the end of the cold war, he went on, the Pope had become a critic of the social and economic problems of the capitalist world dominated by the US. The Cuban leader praised papal pronouncements on the need to eradicate poverty and inequality, ease the foreign debt burden of developing countries and abolish nuclear weapons.

He acknowledged the Pope's reputation as a past opponent of communist rule in Poland and the former Soviet bloc. But he was sure the pontiff was coming to Cuba with "good intentions" and "in a spirit of

He called on the Cuban people, even non-Catholics and Communist party militants, to attend the open-air masses planned for the Pope in three provincial cities and Havana's Revolution Square.

■ HONDURAS-EL SALVADOR

Frontier pact to be signed

Honduras and El Salvador will today sign an accord to complete demarcation of their disputed frontier, hoping to put an end to friction over land ownership.

Two-thirds of the border was agreed in a 1980 peace treaty between the two countries, while the rest was apportioned in a judgment by the International Court of Justice in 1992, which allocated about two-thirds of the disputed territory to Honduras.

However, completing the task of demarcation has been slow, with conflicts over land rights between people living in the area. A Honduran government official said only about a third of the border was marked.

The accord to be signed today in Tegucigalpa, the

Honduran capital, calls for work to be completed within 12 months, with guarantees for property and nationality rights. The official said there were about 6,000 Salvadoreans in Honduras and 2,000 Hondurans on the El Salvador side of the border. James Wilson, Panama City



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in push to boost inward investment

The UK's inward investment agencies are targeting the US to offset a possible decline in capital from crisistorn east Asia.

Officials say the US, with its buoyant economy, could be a prime source of extra investment as many companies are showing interest in

The US is already the UK's biggest inward investor with direct investments of £3.99bn (\$6.5bn) - 42 per cent of the total - in the year to last March. South Korea was second with £2.7bn and Japan

third with £883m. US companies accounted for more than half overseas company acquisitions of UK groups - a further £12.5bn.

Inward investment agenmore in the UK. They plan to increase marketing in north America, but will not neglect east Asia.

There is evidence of increasing interest in the US in investing in the UK, said John Bridge, chief executive larly Taiwan - could see of the Northern Development Company, the north of England investment agency which has one US office, in

among American motor component groups looking to establish and expand European operations in response

Brussels

probes

BSkyB

on cable

Locate in Scotland, the inward investment agency for Scotland, also intends to redouble its efforts in north America. Locate in Scotland has US offices in Stamford Connecticut, San Mateo, California, Chicago and Hous

The Welsh Developmen Agency said it allocated resources according to where opportunities arose and expected to increase its activities in north America in future. Four of its 12 overseas offices are in north America - in California. Massachusetts, Chicago and

However, inward invest ment officials say they will continue to encourage east Asian investment. They expect to see a continue reasonably strong flow of capital from Japan, notably suppliers expanding operations to keep pace with the big carmakers and electronics companies. They also say countries which have so far escaped the worst of the east Asian crisis - particu-

increases in investment. ensure existing investors do not abandon, delay or cut commitments. Hyundai, the Mr Bridge said the interest Korean conglomerate, has was particularly strong delayed completion of a £1.1bn semiconductor plant in Fife, Scotland. Samsung, another conglomerate, has postponed expansion of its to demands from US car- electronics complex in north-east England.

Blair in plea to Sinn Féin on talks

Tony Blair will today meet

Sinn Féin leaders in an

attempt to maintain momen-

tum in the Northern Ireland political talks, against a

background of renewed sec-tarian killing in the prov-

Mr Blair will urge Sinn Féin, the political wing of

the Irish Republican Army,

to rethink its rejection of the joint London-Dublin proposal for a settlement, which

includes plans for a new set of institutions to govern the

province. The talks resume

today in Belfast against a

background of heightened

tension caused by the murder of a Catholic man by the

Loyalist Volunteer Force, a

Ray Seitz, the former US

ambassador to London.

claims in a new book that

John Major's former administration stopped passing sensitive information to

President Clinton "because

it always seemed to find its way back to the IRA".

He also accused Jean

Kennedy Smith, the US

appointed by Mr Clinton, of becoming a "promotion agent" for Gerry Adams,

Kennedy Smith. The UK gov-

ernment said any problems

between London and Wash-

The UK government yesterday announced a surprise

third meeting between Mr

Blair and Sinn Féin leaders.

Mr Blair's official spokes-

man said: "The meeting

should be seen as part of the

ongoing discussions between the prime minister and those

involved in the talks pro-

The blueprint drawn up by

London and Dublin, and

broadly welcomed by most

other parties in the province,

includes the creation of a

Northern Ireland assembly,

rial council and a "council of the isles" including repre-sentatives of Ireland, North-

ern Ireland, Scotland and

Martin McGuinness Sinn

Féin chief negotiator, said

the party would go into

today's talks to oppose the

joint proposals: "These prop-

ositions, heads of agreement

were presented to the talks

table from the barrel of

unionist and loyalist guns."

Wales.

a joint north-south ministe

ington were in the past.

Sinn Féin president. The White House said it had full confidence in Mrs

breakaway terror group. in a separate development

By George Parker, Political Correspondent

The European Commission is conducting an investiga tion into the way BSkyB. the pay-TV company, supplies its programming to the

It has asked Oftel, the telecommunications watchdog, and the Department of

The inquiry follows a complaint from General Cable, the UK's fourth largest quoted cable operator. The company met a Commission representative in November to complain about the amount BSkyB charges cable operators for sports

and film channels Both Oftel and the DTI have had recent discus with the European regulator about BSkyB's pricing taetics and the market in which it operates.

General Cable went to the Commission after finding the UK authorities unsym pathetic to its case. The Office of Fair Trading cleared BSkyB's rate-card, which determines the company's terms of programme supply, in 1996. The decision angered the cable industry, which has held BSkyB pertially responsible for mount-

General Cable claims BSkyB's high charges have forced it to increase its subscription costs, which has deterred customers from

signing up to cable. Viewers receiving pay-TV by satellite pay £20.99 (\$34) for BSkyB's basic channels and one "premium" sports or film channel. Cable operators pay about £17 for a similar package. To make a profit of £10 per subscriber, General Cable charges £27 for basic channels and one premium channel.

Neither Oftel nor the DTI would comment, but Commission sources confirmed discussions with the UK regulators and all interested parties were continuing.

BSkyB's share of an interactive television venture, British Interactive Broadcasting, has also generated controversy. BIB, in which British Telecommunications and BSkyB both have a 32.5 per cent stake, has been held up by a Commission investigation.

The European regulator repeated its concern last week that the coalition of two dominant players such as BT and BSkyB could stifle competition.

US targeted | Falling out damages chancellors the most

he chancellor of the exchequer did not aleep comfortably last night. That is not a guess, it is a racing certainty. For if Gordon Brown has one obsessive fear, it is that one day he will fall out seriously with the prime minister.

Were that relationship so crucial to all British governments but particularly to this one - to disintegrate, there could be only one casu-

Less than nine months into the life of this parliament, Westminster is for the second time buzzing with rumours that Tony Blair is and closest political ally.

The damaging nature of these rumours can be measured by the force with which Donald Dewar, the Scottish secretary, denied that there was a problem: The working relationship en the prime minister and their personal friendship is the rock on which this government stands and it is very much still there."

But the private briefings of ministers and officials close to Mr Blair tell a different story. There is no ques-tion of Mr Brown being ousted, but they freely admit the prime minister's unhapcies say the US has the reinvestment in existing plness at a new blography of the disappointment of being So ministers have been ple, to have chastised indipotential to invest even plants and investments by the chancellor, in whose pipped to the post of Labour going around for the past rectly the chancellor in



eparation Mr Brown and his close political allies had

"Tony thinks the book is

regrettable," said one. The

book was "pointless and silly," said another. The biography was written by journalist Paul Routledge, a close friend of Charlie Whelan, Mr Brown's press some ministers, not unreasonably, as the authentic

Brown is still crying "it should have been me" is harmful enough to him. But Mr Blair will not have been delighted to have Mr Brown's personal rivalries and animosities raked over in public, especially the chancellor's famously bitter secretary. It is perceived by relations with Peter Mandelson, the minister without portfolio and another of the voice of a chancellor who prime minister's coterie of has never recovered from confidants.

leader by Mr Blair in 1994.

The implication that Mr breath, wringing their hands and pendering "why Gordon allowed the book to happen".

Part of this is pure schacould have been invented with the current cabinet in mind, given the number of success of their colleagues.

But whatever the motive of ministerial briefings to Blair was reported, for exam-

Thursday's cabinet meeting, when he tirged all ministers

to play as a team.

Mr Blair did say this, but the interpretation most present put on it was a warning to ministers against making disloyal statements about the controversial millen-

The Observer newspaper said it had received a briefing from "someone who has damaging to Mr Brown. Mr an extremely good claim to know the mind of the prime

cal flaws" and poor judg-

"If Gordon has any sense, he will ignore all that rubbish and just get on with the job," said a senior minister who counts himself as a supporter of the chancellor. But the precedents for Mr Brown shrugging it all off are not encouraging.

In the autumn, there were the faintest hints of a rift between Mr Brown and Mr Blair over the government's approach to European mone-tary union. Mr Brown's response was a notorious briefing to The Times newspaper by Mr Whelan.

According to senior ministers, the Eurosceptic tone of that briefing was designed explicitly to prove that the at one with the more pragmatic prime minister. had to kill the idea that there was a problem between them," said a government member close to Mr

Brown. To many of his colleagues, changing Emu policy to dampen mischievous gossip looked like the use of sledgehammer to crack a nut. So one said last night: "Heaven only knows what he will do

Robert Peston



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Treasury 41/4 % IL 2030 €2.3953 Societe Generale Equity (CI) High Yld Pf Equity Rd 18,491p Sweden 131/2% Ln 2010

£67.50 Treasury 11¾% 2003/07 €5.875

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Berisford 4.5p

FRIDAY

JANUARY 23

Break for the Border 0.7p Carr's Milling 8.5p Close Bros Protected VCT 1.10

THE WEEK AHEAD

Close Bros Venture Cap Tst 2.2p Do C 2p Denby 3p Dragons Health Clubs 0.66p Drummond 0.5p Foreign & Colonial Smaller

Co's 1p Golden Castle Euro-Fin Gtd Asset-Bokd FRN 2004 \$154.68 IMP Int IR2,42p John Lewis 10%% Bd 1998 €1037.50 Do 101/2% Bd 2014 £1050.0

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JANUARY 25

Housing Sec 81/4% Db 2019 Leicester 7% Ln 2019 £3.50 Salford 7% Ln 2019 £3.50

UK COMPANIES

TODAY COMPANY MEETINGS: Cosalt, 1, Paternoster Row, E.C., 12.00 BOARD MEETINGS:

Cardiff Property MITTE

TOMORROW

COMPANY MEETINGS: Abtrust High Inc Tst, 99, Charterhouse Street, E.C., 12.30 Concentric, Beliry Hotel, Lichfield Road, Wishaw, 2.30 BOARD MEETINGS:

Finals: Usher of Trowbridge Barbour Index Bucknall ■ WEDNESDAY JANUARY 21

COMPANY MEETINGS: Alvis, Savoy Hotel, Strand, W.C., 12.00 American Opportunity Tst, 10, Park Place, S.W., 12.00 Avon Rubber, Bath Spa Hotel, Sydney Road, Bath,

2-30 Berlisford, Radisson SAS Portman Hotal, 22, Portman Square, W., 12.00 BOARD MEETINGS: Watson & Philip

interims:

THURSDAY JANUARY 22 COMPANY MEETINGS: Airtours, Hilton Hotel, Manchester Airport, 11.30 Hotel, 10, Grosvenor Square, London Capital Club, 15,

Parent de l'Astria.

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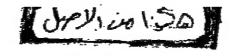
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THIS WEEK

licly embarrassed.

t was the sound of scraping that provided the first clue. Scratch, scratch, scratch, came the noise from the street at the crack of dawn in Tokyo last week.

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okyo last week. householders had all decided -Intrigued, I poked my head out without anybody organising of the window. I was greeted by them - to shovel the snow away the sight of what appeared to be simultaneously. "Nobody makes the latest consequence of the El us do this," explained one. "But Nino weather system: a very rare we feel it is a duty." and massive dump of snow in

The scraping was by neighbours who had begun chipping the five-inch deep snow away. But this was not the type of snow-clearing exercise one might see in London or New York. Instead of simply scraping away ice from their cars or own doorsteps, what was on display was a striking demonstration of civic duty.

In front of every house the inhabitants had marked out a neat square of pavement and road they apparently considered to be their own. Within this area.

DATELINE

Tokyo: The way neighbours have responded to a recent snowfall illustrates Japan's special sense of 'duty', writes Gillian Tett

was that I did not recognise has a commendable system of ecologically aware rubbish collection, which demands that burnable rubbish be put into one bag, non-burnable into another, tins There is a good reason. Japan into a third, and "large" items in

householder buts out the wrong rubbish, it will not be collected. Clear plastic means that anybody who breaks the rules can be spotted - and then, of course, pub-

The etiquette of snow-shovelling

On my first week I mixed the days up. A neighbour pointedly returned my bag to the doorstep while I was out. Reluctant to carry it up four flights of stairs, I left it on the street the next day. But the bag was returned again. Finally, I sneaked out under cover of darkness and guiltily deposited it in a skip two blocks

But these rules do have their advantages. Tokyo's streets are largely rubbish-free. Crime is famously rare. And in the autumn the pavements are leaf- comes at the cost of common

a fourth. Each type is collected free: every household collects sense. On a recent trip to the on different days. If an unwary leaves from the pavements in mountains, for example, a group front of their houses And the rules have an insidi-

ous way of becoming habit, even for someone with anarchic instuncts like myself. When I first arrived in Japan nine months ago, I used to smile at the fact that the Japanese rarely cross a road if the pedestrian signal is red, even if there is not a single car in sight. Now I tend to obey the traffic lights myself. When on one recent occasion I accidentally put a can in the wrong bin in a train station, I felt so guilty that I spent several nasty seconds fish-

ing it out again. But the rules that inspire such sensitivity to one's fellow citizen have their downside too. The lack of flexibility sometimes

mountains, for example, a group of us tried to visit a hot-spring baths. The resort in question blatantly needed extra custom. But we had arrived minutes after the official closing time. And though the staff was still on duty, our money was refused. Rules, they explained, were rules. They had

to be followed irrespective of

Japan's current economic down-

Inflexibility also means impressive displays of civic duty go hand-in-hand with administrative incompetence. The mountainous areas of Japan are well-equipped to cope with snow: the roads, for example, are cleared of snow by an ingenious scheme by which water from hot springs is sprayed on to the tarmac.

But in areas that do not expect

snow, the unexpected brings pear paralysis: finding grit for the roads in a hurry, for example, seems quite beyond the Tokyo government. Last week's snow the second dump in two weeks left 400 injured, roads snarled up and Japan's train service cancelling half its services.

And even the citizens' snowclearing programme has a catch. In the streets around my house last week, there appeared to be another unwritten "rule": though everybody diligently cleared the square in front of their own house, they would not - on any account - go beyond their strictly defined area.

The result was a few lethally slippery patches were dotted along what was an otherwise clear pavement. Perhaps these danger spots were in front of uninhabited buildings: But most likely they marked out - as clearly as any advertising board - exactly where the

The Monday Profile: Tom Stallkamp

This "duty" extends way beyond snow. It encompasses a

pattern of written and unwritten

rules that circumscribe life in

Tokyo and the rest of Japan.

These rules are alternately baf-

fling, delightful and frustrating

Take the case of rubbish. On

my first shopping trip in Tokyo, I

tried and failed to buy an ordi-

nary rubbish bag. The reason

them: Japanese bags are not

black or green, as I knew them in

the UK. Instead they are made of

for foreigners like myself.

see-through plastic.

Mr Procurement shifts gear

has always required a bit of the showman. Lee lacocca, the group's legendary chairman in the 1980s. made, and then almost broke, the company before turning to poli-

More recently, Bob Lutz, its imposing ex-Marine vicechairman, has cornered the market for big personalities with his larger-than-life antics.

Even vice-presidents have made themselves famous in Chrysler's transformation into America's most creative and profitable carmaker. Tom Gale was already rated as a designer before turning to management; François Castaing, the group's former engineering supremo, was French - enough alone to stand out in dreary Detroit.

Tom Stalikamp, by contrast, was banal Mr Procurement. He dealt with parts companies to lower prices and raise quality -all essential in an industry where components account for about two-thirds of the cost of a vehicle. But hardly the stuff to set pulses racing.

On January 1, Stallkamp found himself centre stage with his appointment as president. Elevation to the group's second slot heir-apparent to chairman Bob Eaton - came in recognition of Stallkamp's achievement in driving down costs, often outsourcing to suppliers and co-operating chief engineer at the Babcock, his promotion. "We spend a lot of with them to improve quality.

"Outsourcing", now in the mantra of every car company, arrived early at Chrysler. The company was helped by the fact that it was never as vertically integrated as GM or Ford, removing some of the vested interests that obstructed outsourcing elsewhere. But Stallkamp also pushed co-operation with suppli-

ers much further than his rivals. His efforts contributed to profits which were the envy of Motown. Although half the size of Ford and one quarter that of GM Chrysler's margins were fatter than both, and its earnings, at best bigger than the two combined. Stallkamp, a 51-year old Pennsylvanian whose father was



and Wilcox power engineering, time networking, and that's not group, plays down the accepted going to change." wisdom that his prowess as a

vocabulary.

"We're going to continue to run the company as a team," he says. There will be no corporate bloodletting. Even after this month's management changes, the executive group which has steered Chrysler to its present peaks is intact, with the exception of Castaing, who is leaving after 10 ler's financial subsidiary. Stallkyears but remaining as a consul-

Stallkamp argues that his abil-

He sees the president's job in purchaser won him the presi- less than romantic terms. He will dent's spurs. But triumphalism run the shop day-to-day, leaving has never been part of his public. Eaton to concentrate on strategy, government contacts and international issues. "I'm the fellow looking after the farm while the estate owner can focus on the larger scale," he says.

Stallkamp keeps responsibility for purchasing and supply, but line management goes to Tom Sidlik, formerly head of Chrysamp also has charge of engineer-There will be no big change of

ity to thrive in Chrysler's team- direction. "What I'd like to do is based culture was a big factor in have a greater emphasis on

speed, whether in improving quality, developing products or just the way we do business."

He stresses the need for Chrysler to remain nimble to distinguish itself from GM and Ford. Chrysler got to where it is by being able to recognise or create new segments. We can't just follow the crowd - that's what got Chrysler into trouble. We always try to go our own way. There are no secrets in this; our job is always to be faster.

But Stallkamp's advancement comes as times have got harder. Profits in 1997 fell as the relentless model-renewal drive of recent years hit a luli. And the company's reputation for creativity has been usurped as GM and Ford revitalised their products.

They have even experimented with the sort of attentiongrabbing PR stunts, such as driving a Jeep Grand Cherokee up the steps and through the plate glass windows of Detroit's Cobo exhibition hall, that were previously Chrysler's forte. Even the stock market has shifted allegiance, with analysts tipping Ford and GM for its recovery potential while stressing the challenges Chrysler faces to stay

Stallkamp says there is plenty of product in the pipeline. "I don't think we've lost momentum. It was very hard to keep up the onslaught of new products every three months." One reason for the apparent pause is that Chrysler's focus shifted back to basics, with the renewal of its engines and gearboxes.

With the widgets out of the way, the company will move back to launching new cars. This month's Detroit motor show provided a taste of what is to come, with some sleek new saloons and three new concept vehicles.

"The new LHS range and the 300M [coming to continental Europe this autumn] represents the first real full model cycle since Chrysler introduced its strategy of basing group models on shared platforms in 1993. We've really come full circle."

Haig Simonian

FT GUIDE TO:

CREDIT RATING

You don't normally hear much about credit. This gives the agencies chormous power over rating agencies. But recently they seem to have been under attack, particularly over the Asian crisis. Why is that?
All three global credit rating agencies - Standard

k Poor's, Moody's Investors Service, and Fitch IBCA - have come off badly from the crisis in Asia. None successfully anticipated either the occurrence or the scale of the upheavals in southeast Asia and South Korea. As recently as last September, for example, Korea enjoyed a sovereign credit rating of AA minus - the same as many west European countries. Korea's rating has subsequently been downgraded to the same level as countries such as Pakistan and Jordan. Since the agencies trade on their reputation as the ultimate arbiters of a country's creditworthiness, recent events have tarnished their credibility in many eyes.

No-one anticipated the turmoil in Asia. So why are people singling out the rating agencies? That is not entirely true. The International Monetary Fund has also been attacked for its allegedly poor forecasting record.

And, for obvious reasons, Asia's governments have themselves received a lot of flak. But it is true that the rating agencies have borne the brunt of criticism for their failure to predict

One of the reasons is that many investors. including banks, pension funds, portfolio managers and insurance funds, rely on credit ratings as a vital source of information on where to allocate their money. Some US funds, for example, are debarred from investing in speculative grade companies or countries - in the case of S&P and Fitch IBCA - with grades of BBB minus or below; and for Moody's, Baa3 or below. Such is their influence that rating agencies can actually affect the performance of a borrowers' debt by either upgrading or downgrading its rating.

Surely investors could just ignore the agencies and make up their own minds?

In an increasingly globalised economy this simply is not practical. In the days before capital markets were as pervasive as they are now, companies and countries had little choice but to go to the bank if they wanted to raise debt. The bank would then Probably the opposite, international capital mar conduct an in-house credit analysis on the finan- kets are growing rather than shrinking in imporcial health of the borrower and price the loan accordingly.

Nowadays it's all much more sophisticated. Borrowers often want more money than a single bank can provide. Many are, in any case, unhappy with the conditions banks often attach to loans.

It would be much easier, they say, to raise the money from hundreds, or even thousands, of anonymous investors by issuing a bond. Since it would be commercial lunacy for each investor to utation of the top three and possibly even chalundertake a separate assessment of the lenge their dominance. borrower, rating agencies do the job on

borrowers, doesn't it?

The agencies would argue that this power is more apparent than real. In the case of well-known borrowers, agencies often do little more than con firm what the markets already know. Few would be surprised, for example, that the World Bank has a Triple-A rating, while the Republic of Kazakhstan has a sub-investment grade rating. If an agency suddenly downgraded the World Bank to AA minus it would have to come up with a pretty

convincing reason. Much of what the agencies do, in other words, is to convert conventional wisdom into a grading system. Critics argue that there is a more subtle problem. Contrary to what you might expect, agencies derive most of their income from the borrower rather than the investor. They charge the borrower a fee in exchange for a rating. Such are the benefits of having a credit rating that few borrowers pass up the opportunity. Detractors say this compromises the independence of the agencies by making it difficult for them to downgrade important customers, such as governments.

Is this why the agencies took so long to downgrade Korea and the others?

No. Nobody's reputation has emerged unscathed from this crisis. Flick through the research papers published by the leading global investment banks on Asia as recently as last October and you'll realise the banks are in no position to criticise the agencies - although many have. Nevertheless, it must be harder for an agency to downgrade an important sovereign borrower, such as Thailand or Indonesia, than to raise the alarm over a troubled mortgage bank or an ailing property developer. The stakes are that much higher. In their defence, the agencies say that they - along with the rest of the world - were lulled into a false sense of security by the low external public debt of most Asian governments. This caused them to underestimate the dangers of high private-sector dollar-denominated debt and to overlook the pitfalls of the fact that such a high proportion of these liabilities were short-term.

Does that mean that investors will rely less on the agencies in future?

tance as companies compete more and more outside their domestic markets. The volume of complex securities transactions - including convertible bonds, asset-backed issues, securitisations and other forms of debt - is growing rapidly. Agencies rate tens of thousands of securities every year. It is hard to see who could replace them. There is, perhaps, room for new rating agencies to take advantage of the diminished rep-

Edward Luce

Robert Chote • Economics Notebook

A safari into a growth area

Output per head in sub-Saharan Africa has risen steadily since 1995

n the 1960s development economists had high hopes for Africa, with one leading textbook rating its growth potential ahead of east Asia's. Alas, these hopes have been cruelly dashed: output per head has fallen in much of Africa since 1960 and living standards have slipped further behind those in Asia and Latin America. But in the past few years there

have been tentative signs of average rate of 2 per cent a year in the early 1990s, output per head in sub-Saharan Africa has risen by more than 1 per cent a year since 1995. Inflation, publicsector borrowing and current account deficits have meanwhile declined over the same period. In a paper prepared for the

American Economic Association's recent annual conference in Chicago, economists from the International Monetary Fund argued that these improvements should not be dismissed as the result of fortuitous changes in from improved policies in a num-

ber of countries", they argued of other continents. A recent Needless to say, performance, study in the Quarterly Journal of has differed from country to Economics notes that economic might tell us whether the recent country. In 12 countries output growth should have been 1.1 perper head has continued to fall. centage points higher each year nomic performance is likely to above economically desirable Armed conflicts have prompted in Africa than east Asia since persist or whether the continent levels. Education may also be particularly sharp declines in 1980, simply because Africa had has simply embarked on what difficult to provide if the wishes Burundi, Central African Repub more room to "catch up" with will prove another false dawn. lic, Comoros, Congo and the richer countries by exploiting Democratic Republic of Congo. superior foreign technology and But Angola, Benin, Botswana, higher returns to investment. Ivory Coast, Equatorial Guinea, But in fact growth in Africa was and that its growth performance because of how European colo-Ethiopia, Guinea Bissau, Leso- 3.4 percentage points lower each has suffered accordingly - partly nial powers negotiated national

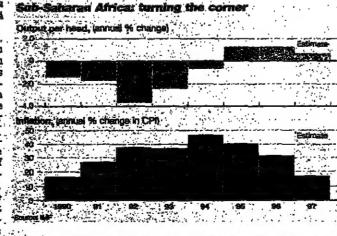
head of more than 2 per cant a year between 1995 and 1997 - 4 per cent on average as a group. In three of these countries. aut per head, (annual % change) . rapid growth has resulted from special factors - the exploitation of newly discovered oil reserves in Equatorial Guinea and recovery from armed conflicts in Angola and Ethiopia. But in the other eight better policies appear

The policy reforms in the betmprovement. After falling at an ter performing countries have taken several forms. Non-tariff trade barriers have been eliminated and import tariffs reduced. Domestic price controls have been liberalised, some inefficient monopolies have been dismantled and many state enterprises have been privatised. Exchange rates have been freed, exchange controls lifted and credit markets liberalised in many coun. These include high budget defitries. Government spending has cits, big black market exchange also been reduced as a share of national output, reducing budget... Reform was certainly needed

to have yielded results.

deficits and taming inflation. external circumstances, Rather, Bad policies help explain why they appear to result mainly. Africa's growth performance has been so much weaker than that

tho, Mauritius and Togo have all year than in east Asia. enjoyed growth in output per The QJE study argues that 2.6 sity: "Ethnic diversity alone Kenya illustrates the problem: e-mail: Robert Chote@FT.com



set of seven policy variables. rate premia, low infrastructure stment, poor education, shallew financial markets and pervasive political instability.

But why have bad policies persisted for so long in Africa and why might things have changed for the better over recent years? improvement in Africa's eco-

The QJE study argues that

percentage points of the growth explains between one-fourth and two-fifths of the east Asia/Africa growth differential and may fully account for some extreme country cases." Ethnic diversity might cause

problems for various reasons. Conflict between ethnic interest groups may delay macroeconomic stabilisation or the removal of black market premia. Corruption may be more damaging if several groups take bribes. The answers to these questions Different groups may impose taxes independently at levels which - added together - are far of ethnic groups differ.

All but one of the world's 15 Africa has been been plagued by most ethnically diverse nations worse policies than east Asia - are found in Africa, partly because of greater ethnic diver- borders in the 19th century.

when political power passed from the Kenyatta ethnic coalition to the Moi coalition in 1978. resources for road-building, shifted from the former's homeland to the latter.

But if ethnic diversity has helped explain poor policymaking for decades, why the apparent recent improvement? Mohsin Kahn, one of the IMF authors, argues that policymakers have been spurred into action by globalisation and shrinking flows of overseas development assistance. The IMF authors argue that

Africa will have to make further reforms to sustain the recent rise in growth, especially reforms that will raise the continent's investment rate. This means improving infrastructure, legal systems and public services, as well as further liberalising trade, tackling corruption and strengthening financial systems.

This is a challenging agenda and one which will have to be underpinned by a political culture that does what it can to prevent ethnic diversity from impeding the reform process. But as aid flows continue to dwindle - and reliance on foreign investment increases - the pressure will remain intense and the rewards for success great. *Africa: Is this the Turning

Point? by S Fischer, E Hernandez-Cata & M S Kahn, IMF 1998. **Africa's Growth Tragedy: Policies and Ethnic Divisions, by W Easterly & R Levine, Quarterly Journal of Economics, Nov 1997.

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MANAGEMENT

the UK retailer, fell 6 per cent last Tuesday in response to its quarterly earnings, it is unlikely that the directors were unduly put out. Boots is a fanatical believer in value-based management. It therefore reasons that short-term financial upsets scarcely matter: and indeed, that earnings are a pretty useless way of measuring value anyway.

Boots was one of the earliest adherents of value-based management outside the US. Its chairman Lord Blyth claims that with a few fellow-pioneers such as Lloyds Bank and the information group Reuters, it is still in a small minority. "Even today," he says. "you could list on the fingers of one hand, or at most two, the companies in this country which are genuinely managed for shareholder value."

So what does Boots' experience tell other companies? Its conversion to value-based management. in 1990, was scarcely to be envied, being a response to the damaging purchase of the retail group Ward White (see below). As defined by Boots, the guiding principle is simple: to maximise, over time, the cashflow value

of each of its businesses. That value is in turn determined by the excess of cashflow over the cost of capital. The principle is applied in

some unusual ways. The group's sprawling main site outside Nottingham employs its own gardeners. caterers and firefighters. In each case. Boots maintains, the decision was tested against its value-based model.

The site's electricity comes from a power station built two years ago for £19m. The alternatives were to reflt an older station for £11m, or take power from outside. When run through the model, the most expensive option showed much the highest discounted cashflow.

The result was a slight dent in reported earnings. According to David Thompson, finance director, this is the test of commitment to value. "Most companies won't accept that," he says. because it damages the cosmetics of the earnings stream."

The origins of Boots' own commitment lie in the late 1980s, when a handful of executives. including Mr Thompson, became intellectually drawn to the concept of discounted cashflow.

Lord Blyth, who arrived as chief executive in 1987, says he had been trained in the importance of cashflow in his early days in the oil industry. But he was struck by the lack of information: Boots was only just beginning to distinguish the

B oots' 1989 acquisition of Ward White was controversial from the From hindsight to forecasts Another such discipline is cashflow. In the aftermath of outset. At £900m, the price was equal to a third of Boots' own value. It was quickly apparent that Boots had overpaid.

Faced with the same position today, Lord Blyth claims, Boots would still have pursued Ward White, whose broad retail portfolio - from paint to bicycles - seemed an answer to the supposed maturity of Boots chemist shops. Value-based management, though, would have stopped it paying too much.

Boots has learnt the value of looking behind the cosmetics of earnings figures alone, says Tony Jackson

Registering the value of cash



cashflows from its individual

Then came the Ward White debacle, and action became imperative. Boots turned to the US consultant Marakon, whose value-based management system was duly adopted.

The system starts, Mr Thompson says, by analysing the competitive position according to the so-called "five forces" of the Harvard academic Michael Porter. That is then checked and rechecked in terms of its financial characteristics.

"The strategic fit was perfectly

sound," be says, "but the price

inaccurate forecasting model. We

could do our forecasts very much

focused on how you create value.

"Previously, we looked at the

better today, because we are

likely growth in the market,

what share we could take of

that, what it would deliver in

earnings and whether the deal

would be earnings neutral.

was delivered by a very

things which really make a difference to the business, and which of those are most capable of being levered by management. Out of that come the alterna-

This last point is what Boots terms its secret weapon. Any proposal to the board, as in the power station case, must contain at least three alternatives.

"The managers are clear." Lord Blyth says, "that they have a contract with me to maximise value, and that I will be dissatisf-

Frankly, that was all we were

the business entirely through

forecasts these days," Mr

looking at the range of

Now, Boots claims to care little

about historic data. "We manage

Thompson says, "and that means

possibilities which might occur."

A crucial part is studying the

competitive forces in the market

place, and the strengths and

weaknesses of individual

bothered about."

says, "you identify the five or six we don't want is to be presented with chosen solutions graven on tablets of stone."

Given Boots' length of experience with the system, it is natural to ask what problems they met along the way. The first. Mr Thompson says, was capturing hearts and minds. "We've had a lot of difficulty," he says. "with people within Boots who were aligned with the basic principle." brought up to believe in things like market share and sales per long process. "We're still only square foot."

The difficulty is in inverse pro-portion to the success of the busi-We're by no means value-"Through that process," he ied if I only see one option. What ness. "If a business formula has maximising."

players. With Ward White, Lord

underestimated the ability of the

This approach is not unique to

dominant retailer in the UK

its position against Ward White's DIY subsidiary.

brings together various

do-it-yourself market to defend

value-based management. But

the system itself. Mr Thompson

says, is nothing new. It simply

managerial disciplines which

Blyth says, Boots badly

worked for a number of years, it's human nature to say if it ain't broke, don't fix it."

But it is essential, Lord Blyth says, to apply the discipline without exceptions. "If you don't pursue it absolutely from the top of the organisation down, it will fail. The buggers will always find a way to duck through a side door if you give them half a

Boots originally planned to link senior managers' bonuses to the system after three years. In the event, it did so after one. You need to get remnneration tied in very early." Lord Blyth says. "Otherwise, you're sending conflicting messages."

Some other tips from the Boots

· Forget about budgeting. It represents a rival approach to valuebased strategic planning, and works on a shorter timescale.

 Abandon resource allocation The logic says that if a proposal adds value, it should be pursued regardless of demands for capital elsewhere in the group. • Forget the distinction between

capital and revenue expenditure.

"Whether you're building a plant or investing in Christmas adver-tising." Lord Blyth says, "it's all cash, and requires a return." Do not be diverted by short-term financial blips. The odds are they do not affect the

future, "You may worry about a bad Christmas," Lord Blyth says, "but you must not do anything which will jeopardise 1999." Remember that the key to shareholder value is giving inves-

tors pleasant surprises. That, Boots says, is how it has man-aged to double its value in the past four years, while the market has only doubled in six. Those surprises mostly come from your best businesses. "If you look at the average media report on a company," Lord Blyth says, "you would infer management effort should be focused on fixing prob-lems. It should be focused absolutely on improving returns on businesses which are doing well." Be realistic about the fact that not everyone has the intellect to grasp the system. "We've come to understand," says Lord Blyth, that at some point in the management chain, you have to convert value creation into analogues: contribution per square metre of store space, output of plastic bottles per machine or whatever. The trick is to make sure that the analogues are Finally, accept that it is a very learning about this," Mr Thomp-

Ward White, Lord Blyth says, "we were obsessed with getting everything on to a cash flow managed basis: that, and how to recover our position with institutional investors."

The effect of a business blunder was to strengthen the case for change. "The upside of Ward White," as Lord Blyth puts it. "was having a bunch of people in the same place at the same time, all of whom believed the same things."

MY SECRET WEAPON

Peter Mead on principles

It's not that we are a soft touch

Peler Mend, who began his career as a messenger, co-founded Abbott Mead Vickers BBDO in 1977. He is chairman of the UK-based advertising and media group, which made pre-tux profits of 274.5m in 1996.

It all starts with a central set of beliefs and principles: if you try to do good work and look after your people, then success and money will follow. A lot of people say of course you make money by looking after people". But they put money first. It sounds a semantic point but the order is

I would hate this to sound . like a moral crusade. It really isn't. Part of the philosophy of the place is that you must : validate your beliefs by making money. Although it is the third element of the mix, it has to be there. Otherwise any fools can

indulge themselves.

Over the years, I have learned that if you treat people properly, it is commercially sensible. In the recession, we took the view that our people were not a flexible overbead and we did not cut our staffing

It is not that we are a soft touch and no one gets fired here. That is not true. People have been fired here. But when that happens, they have always been treated fairly.
I take the view that we are

always at least 50 per cent responsible for them working here. Why should it always beseen as their fault and not our fault? In football it is astonishing how football . chairmen have fired managers with impunity. If the chairman was picking those managers. where does his share of the

responsibility lie? In the '80s and early '90s, one felt a bit of a dinosaur. Everyone was talking about downsizing, re-engineering and all those techniques. In the '80s," achievement was all and the means of achievement was degree of sensitivity. The pendulum is beginning to swing

back the other way. It is all about capturing an unfair shere of peoples' heads and hearts. If 50 per cent of the time, people are worrying about losing their jobs, you need twice as many of them. If you can increase the amount of timethey are thinking about work to 75 per cent, the level of productivity is mind-blowing.

There are not enough managers who understand the ephemeral part of the balance



sheet as well as the real side of the balance sheet. For instance, they say that moving to a new building will nost an extra overhead: Sot what they need to ask is 'how much better are people going to feel?' That affects their productivity and well-being. We firmly believe that: But it is difficult to measure It is all about

management lecturique these days. That is because it can't be measured, evaluated or written down. In this age of management consultants and

MBAs, it is becoming a weapon that is falling into disuse. But I respect gut feel in people. It is one thing I don't seel I can. argue with

Niceness is not going to work with everybody. There are managers who believe in keeping people off balance and at odds with each other. They believe that out of conflict comes an energy that drives their business forward. I happen to believe the reverse

I suspect one of the great ment techniques is consistency letting people know where they are. Even if you are unpleasant, as long as you are consistently unpleasant, people know where they are. They are not off belance all the

People who for t respond to our sort of philosophy tend not to come here. There are people who say it is all too comfortable and there is not enough conflict. They are not going to be seduced by what they believe is a rather sissy view of the world. The real danger for us is completency. The greatest danger is that you start to believe your own publicity. It is not as if you can relax.

Every day you have to take the view that it can all go through your fingers like be self critical. You constantly have to try to

Interview by Vanessa Houlder

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A lesson in transactions from the wallet test

for the contents of my wallet? It would be sensible to begin by consider-ing how much cash someone like me would be likely to have on them at any time. Fifty pounds, perhaps. So you should knock off a bit to compensate for the uncertainty and give you a margin for profit. Why don't you offer £35? Some further thought - any fur-

ther thought - should warn you that this is not a sensible proposal to make. If I accept your offer with alacrity, you can be sure that there is less than £35 in my wallet. If, on the other hand. I turn the offer down, then the likely reason is that my wallet has more than £35 in it. This is a no-win transaction for you. At any price at which I am willing to

sell, you ought not be willing to buy. But no one, you might think. would be foolish enough to get involved in a financial transaction of this kind. After all, my example is simply a pointed demonstration of the first lesson in finance: do not buy a financial instrument from someone who is better informed about its value than you are. There is an elaborately docu-

mented modern theory of transactions in markets subject to asymmetric information which elucidates more clearly the problems which such issues raise. But the basic principles have been familiar for centuries, if not millennia.

Still, these principles seem to be easily forgotten in every wave of speculative euphoria. They were forgotten by Peregrine Securities when it bet the bank's capital in the reassuringly named Steady Safe bus and taxi company in Indonesia.

They were forgotten by western investors when they jumped into emerging market bonds. And by many of those who believed - no doubt correctly - that China and the countries around it



John Kay

Michael Milkin made his reputation, and his fortune, from a piece of research which showed that the extra returns from low-quality debt were more than enough to compensate for the additional risks involved. But the theory of markets subject to asymmetric information would even then have explained why there was a crucial difference between the junk bond market he

analysed and the one he invented. Traditionally, most junk paper was not intended to be junk. It was debt incurred by the Russian gov- even risk-adjusted returns from junk ernment when the power of the tsars

had seemed impregnable: securities issued companies with fine reputations and credit ratings which had

at that price subsequently **=** were traded in a secondary market less equally ignorant about the like-

lihood of a return of the Romanovs You would expect the price of such junk to reflect a general expectation within the market of the probability that the debt would indeed be repaid. People who were more than averagely optimistic would buy from people who were more than averagely pessimistic. If there were no systematic bias in these expecta-

tions, or in the way in which the

from a diversified portfolio of junk bonds should be much the same as the return from a portfolio of blue

But there are at least two possible sources of such systematic bias. It is likely that even a diversified port-folio of junk bonds will be riskier than a comparable portfolio of investment grade securities, and with greater risk comes greater reward. To compare returns properly, they need to be adjusted for differences in risk.

But there is another reason why bonds may be You should always ask high. There are a lot of people who why a well-informed exclude themvendor is willing to selves entirely sell speculative paper for low quality paper - regardless

of its price. After fallen on hard times. Such bonds the phrase "investment grade" means: bonds that are acceptable between people who were more or to buy and you won't be fired for purchasing them, even if they go

But if the security is below investment grade, everyone will find it easy, in the event of failure, to be have such securities in your portfolio. And if demand for Junk securities is limited because most investing institutions stay away, the price will be lower and the expected rewards greater: just as the profits from brothel-keeping and drugwave of the future. market worked, then the return dealing are greater than from

other businesses because many people are unwilling to engage in these professions, or are frightened

The more recent market for junk is rather different. Issuing houses like Drexel Burnham Lambert or Peregrine Securities - were selling paper that was junk from the day of its issue. Now there is a big difference between buying junk in a primary market and buying it in a sec-

ondary market.
It is one thing for you and me to trade paper whose value is contingent on the prosperity of the tsar. It is quite another to buy such securities from the tsar himself. You should expect that he will be overoptimistic about his prospects of retaining the throne. And even if he is entirely realistic in his own personal projections, you can be sure that he will be over-optimistic in describing them to prospective

owners of his debts. Which is why engaging in such transactions is like buying the contents of my wallet. The asymmetry of information between the parties is fundamental to the transaction. It may often be the main reason why the transaction occurs. If you are tempted to buy speculative paper, you should always ask why a wellinformed vendor is willing to sell at

And that is why there is rarely a sustainable market for securities which are priced to reflect their high risk. There are good reasons why the spreads on securities may not exactly match the risks involved even in otherwise efficient markets. If you must back a horse, don't bet wise after the event. Better not to with the trainer. Especially if the trainer's horses are described as

> The author is the Peter Moores director of the Said Business School at Oxford University and a director of London Economics. This column

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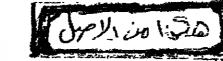
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MARKETING AND MEDIA

Building a name for yourself

Norma Cohen on whether property companies can develop strong brands

rom sports shoes to accountancy services to pop groups one thing really matters: brand name. It is the intangible that adds value to the good or service, an intangible increasingly being translated into a cash value in corporate balance sheets.

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Maria San

But some goods and services have proved impervious to branding efforts so far. One that stands out is property.

Conventional wisdom in real estate has long held that buildings are successful or not according to their own merit. Properties are too distinct, too different from each other, to allow the growth of a brand image. Properties are not fungible: even two identical buildings would have different values depending on their location.

"There is no such thing as branding in property," says Mike Slade, chief executive of Helical Bar, a UK property developer with more than 30 years of experience, "I defy you to look at any out-of-town retail park and tell me who does what." Mr Slade argues that one shopping centre is much like another in construction and design. Any branding is that which the retailer who occupies the site brings," he says.

Mr Slade's view has been the prevailing one. And for good reasons. A quick look at the portfolios of any of the larger UK property companies reveals assets so diverse they could belong to any developer.

But property companies and their advisers are beginning to think more closely about branding. Stephen Barter, head of consulting at chartered surveyors Richard Ellis, says that for the first time serious thought is being given to the issue.

So long as property companies are seen only as packaged income streams, like government bonds, the brand question does not arise. Once they are viewed as companies, then the considerations that arise for, say, car manufacturers or cleaning services, are relevant for them too.

These include a manufacturing-production capability, distribution, marketing, sales and customer service. Then branding becomes an

"The point of branding is to identify the particular thing you are selling in people's minds so that they remember it," says David Halgh, managing director at Brand Finance, a brand valuation company. "It should simplify the consumer's decision-making process. The question is: what exactly does

it mean to be branded? The property tiself? Or the environment around Canary Wharf in London is associ-



Even those who do not think property can be branded agree that at least one name does amount to a property brand: Paul Reichmann, developer of London's Canary Wharf (left) and Toronto's One Canada Place

that property? And to whom is the brand image directed? The consumer raise standards for buildings all - the tenant, in the case of property or the provider of capital on whom the property company depends".

"Normally people talk about branding in a consumer context," Mr Haigh says. "But there are other contexts." Business-to-business branding, for example, is increasingly important.

Stuart Lipton, chief executive of Stanhope, builders of the Broadgate complex in the City of London and of the new development at Paternoster Square, says he has attempted to develop a Stanhope brand. This is associated with the sense of community generated by a certain style of office and retail complex that makes people more comfortable in their working environment.

Arlington Securities, one of Britain's premier developers of business parks, has striven for an appearance of continuity throughout its portfolio. Although individual business properties are built for each customer, the company uses a shortlist of suppliers of building materials so that the range of building tiles, for example, on one estate is the same as at the others. Each features a lake in the centre and the same approach to landscaping.

Even those who do not believe property can normally be branded, concede there is one name that does amount to a brand: Paul Reichmann. The Canada-based developer of Battery Park City in New York and ated with blue-chip properties that around them.

"Paul Reichmann is the meg brand," says Philip Wright, globol head of the shareholder value unit at Price Waterhouse in London, "Reichmann says: 'I change the face of cities.' In order to be a brand, it must add value to the rental price, says Mr Wright. In the case of the Reichmann developments, the quality of the properties increases rents.

Jeremy Newsum, chief executive of Grosvenor Estates, the company that manages the lands of the Duke of Westminster, says: "I am absolutely convinced that there is such a thing as a Grosvenor brand name. We're spending quite a bit of time thinking about what it is."

The company has recently made investments in Asia in partnership with some of the most prestigious investors there, a decision Mr Newsum believes was aided by the Grosvenor brand name. "it's the heritage, the quality of the assets, and the integrity of management that go into the brand," he says. William Saunders, founder of New

Mexico-based Security Capital Group, one of the US's largest property companies, says the branding is not in the property itself, but in the service the operator wraps around it.

"Property is really a service industry," he argues. His company's strategy has been to offer a full range of maintenance and support services to occupiers of its sites. For example,

tenants of Security Capital's industrial warehouse properties are offered computerised inventory control systems. These are designed to ensure that tenants never have to send a truck out of the warehouse with less than a full load.

When an tenant wants a new larger facility, Mr Saunders hopes he will first turn to Security Capital to see whether stock is available.

That is one way of adding value through a brand, says Mr Wright. But, he argues, branding can have the same beneficial effect even when tenants are unaware of it. Providers of capital are equally

appropriate targets of branding, according to Mr Wright. For instance, investors associate Land Securities, the UR's largest listed property company, with conservative and judicious finance and investment. Chelsfield is associated with a more entrepreneurial style of management and development. In that case it would be "the development potential of the company you would be branding", be says, "The provider of capital will pay for the brand if he thinks he will get more in the end for it."

debate. Mr Haigh believes that, with property, added value from a brand image is limited. "In most industries, there is an element of name recognition that helps you to do more and charge more for it. In some industries, it's so obvious it's tangible." he says. "In property, it probably is there, but much less so."

But how much more is a subject of

Why customers are rocking in the aisles

Richard Tomkins on how US retailers are extending their products to the in-store music

ou like the bras-siere, ma'am? Then why not buy the CD?

Most people are familiar with the kind of background music that subliminally sets the tone of shops, restaurants and other retail outlets, but few would have thought that anyone would want to buy an album

In the US, however, piped music CDs are becoming big business Growing numbers of retailers are finding that customers enjoy that overhead sound so much that they actually want to hear it at home.

One of the first retailers to make the discovery was Victoria's Secret, a lingerie company with nearly 800 stores across the US. In 1988, Victoria's Secret started selling compact disc and tape cassette compilations of the classical music playing in its

To say the venture was a success would be an understatement, Astonishingly, of the 11 classical albums in history that have sold more than 1m copies in the US. five are from the Victoria's Secret collection.

Other US retailers that have witnessed the Victoria's Secret phenomenon are now releasing their own albums, usually featuring edited highlights from the pop, rock or jazz music playing in their

Much of the music is

"retro", barking back to earlier eras. "Martini Lounge", the latest CD from Pottery Barn, a home furnishings chain, features tracks such as "Fever" by eggy Lee and "Ain't That Kick in the Head" by Dean Martin.

But some companies use more up to-date material. The Guess? clothing chain's CD, selling in its 80 US stores and through its web



Keynote: furniture store Pottery Barn's latest offering

site, features tracks by artists such as Blur, London Suede, Bomb the Bass and Hooverphonic.

Old Navy, a clothing chain owned by the Gap group, has so many ownlabel titles in its stores about 12, at the last count that it has set up listening booths so that customers can sample them, its CDs and tapes include rock and roll compilations, dance collections and Motown hits.

tarbucks, a big coffee house chain, has produced 16 jazz, blues and world music titles since March 1995, and now has its own in-house music department to make CDs and background music programming. But many other retailers hire AEI Music, a Seattle-based in-store music company, to do the work for

Pam Melin, AEI's director of consumer products, says retailers have a strong incentive to sell own-label CDs because the albums carry profit margins of 70 per cent or more and take up very little

SDECE. "But for many of our clients, the margins are con-

sidered secondary to the benefits of having their signature sound in the customer's home." Ms Melin says. "It really is a unique way for retailers to extend their brand name and their brand identity into the homes of their customers.

One obvious reason why people buy these CDs is that retailers, knowing their customers' taste in clothes, find it easy to gauge their taste in music.

People who shop in Gap's Banana Republic clothing chain, for example, are typically baby boomers, so it is a safe bet that they will like the 1960s tracks by Lulu, The Troggs and Strawberry Alarm Clock on the store's "In the Mix" CD.

In-store CDs also make life easy for people who do they enter a record store, or do not like visiting them at all, Ms Melin says.

"it's a very comfortable. natural, impulse purchase to be in a clothing store buying a few things, see a CD at the point of sale, and say: 'Wow, yeah, I enjoy the music that's playing in here. Wouldn't it be great to have that

know that you can find out more about

Telemarketing hang-ups

US phones are going unanswered. Victoria Griffith explains

New Jersey mother of three, doesn't answer her telephone most weekday evenings. She is avoiding the telemerketers. "That's when they figure you'll be at home," she explains.

Lisa Wangh of CNN, the cable news station, says she and her husband have two telephone numbers – one is unlisted and given to friends and family, the other they do not answer. "People can leave a message if they need to," says Ms Waugh. "But it's nice to avoid those. pesky folks asking for money or trying to sell you something."

men were once maligned, telemarketers are the new people Americans love to hate. Resentment has risen

Rudy Octting, telemarket-ing consultant, predicts that after years of tremendous growth, the business may be reaching saturation in the US. "I think we're nearing the point that a correction will be necessary," he says.

If so, telemarketing will become a victim of its own success. In the US, where the industry is most established, consumers bought \$174bn (£106.7bn) in goods from telemarketers in 1996, compared with \$135bn in 1992, according to the Direct Marketing Association.

these have attracted inexperienced businesses into the Just as door-to-door sales- arena. "There are a lot of questionable practices out there that have given telemarketers a bad name," says Betty Sweeny, to such a point it may be vice-president of new busithreatening the industry. ness development for the

the French Digital Equipment, launched

politicians an online translation service

who rail at last month which is free.

web form.

porate clients.

a stable of 3,000 freelance Le Monde web site (www.le-

of different language pairs interesting nugget from

But Aleph's service offers directed by the American

little to the casual web sur- Scott Ritter left Baghdad Fri-

fer, trying to do research day without to have

Accessible at www.altovis-

ta.digital.com, the service

can translate text on the fly,

back and forth between

English and Spanish, Portu-

guese, Italian, German and

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word gobbets of text that

you cut and paste on to a

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machine, using software pro-

vided by Systran, a French

company that mainly serves

governments and large cor-

day afternoon news from

Agence France-Presse on the

monde.fr), there was an

Baghdad. This is how it

came out in English: "L

equips with experts of UNO

among the millions of achieved its mission, into another language, English or tens of thousands whereas two permanent search for web pages in that

of other-language web pages. Member States of the Secu-language, and translate

Now there is an alterna- rity Council proposed to again. That allows users to tim.jackson@pobox.com

When I looked at the Fri-

Tim Jackson · On the Web

It is easy to make fun of

the Anglocen-

trism of the

web, but you

can under-

stand how they feel. The

position of English in the

struggle for linguistic pri-

macy has been increased tre-

mendously by the internet.

Even the European Union,

phony, turns increasingly to

A helpful defence for

speakers of other European

languages was covered in

this column last year.

Aleph.com, a company based

in San Francisco, maintains

translators dealing in dozens

who can turn around docu-

ments by e-mail in hours to

clients worldwide.

formerly a bastion of Franco-

Bank of New York, a heavy telemarketer. While many people com-

plain about being disturbed at home, most Americans have purchased at least a few products over the telephone. Telemarketers say the way pitches are made is key to success. "People make so many mistakes in this area," complains Joyce Covatto, president of Teletron, a big telemarketing outsource company. Common errors, say con-

sultants, include calling the same person too many times Established telemarketers and not knowing enough worry that numbers like about the potential customer. "You should know the person's age, location and occupation wherever possible, so that you're not offering a frequent-flyer credit card to someone who bas never set foot on an aeropiane," says Ms Cov-

Online translation free for all

tive. AltaVista, the search increase their participation engine service created by in the missions of disarme-

ment."

To anyone unfamiliar with

machine translation, this

may seem laughably lame.

But it is not bad at all.

"Disarmement" was untran-

slated presumably as it

didn't appear in the Systran

dictionary; "whereas" was

probably written as "while"

by an English-speaking jour-

nalist. But the item is com-

prehensible. It is clearly a

Louis Monier, chief technol-

ogy officer of AltaVista -

and bore fruit in only three

months when he was intro-

duced to someone from Sys-

AltaVista has several good

ideas for best use of the ser-

vice. As well as translating

technical papers and news

bulletins, it recommends

users to translate a query uct available to millions of

he idea of offering

free machine trans-

lation across the

web came from

useful service.

Ill-prepared telemarketers botch the pronunciation of names and read in a monotone from a prepared script. Mr Oetting says he received a call recently from a tale marketer offering supplemental medical insurance. When he said be already had such coverage, the woman continued as if he had not spoken. "She should have asked me what product I was using and then explained how their product was superior," says Mr Oet-

ting, "She hadn't been prepped for my answer." Teletron puts customers into three categories: the alphas, people who are happy to receive calls: the betas, those who are annoyed but willing to listen; and the deltas, those not open to telephone pitches. Says Ms Covatto: "The deltas should be left alone."

in their own language

Systran's alliance with

AltaVista has two strong

points. It brings the com pany years of user feedback

in only weeks. And the site

promises revenue. Enterpris

ing webmasters have already

put buttons on their web

pages that generate auto-

mated translations, without

requiring the surfer to go to

the AltaVista site and back.

Then there is advertising.

The going rate for page

impressions varies between

\$10 and \$100 per 1,000. If the

service became popular out-

side the English-speaking

world, it may yield tens of

thousands of dollars a day in

The concern of Systran

and other translation soft-

ware companies must be

that ad revenue will be

dwarfed by the possible

losses of sales of a desktop

product. But that is probably

translation makes the prod-

users who would otherwise

never contemplate buying it.

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William .

Future perfect

Access to the internet and e-mail from bedrooms will be the single most important influence on business travellers in their choice of a hotel, a report predicts. At present, high-tech communications are not

even ranked in their top 10 priorities. The survey, conducted on behalf of the Inter-Continental hotel chain, found the three most persuasive factors at present were a quiet room, clean surroundings and control over room temperature and report predicts, the safety of

the hotel's location, and the availability of non-smoking rooms will rank second and third respectively.

Canada storms Following the recent ice storm in eastern Canada, travellers to Montreal should check the latest advice from the UK Foreign Office (www./co.gov.uk/). Downtown Montreal has been badly disrupted, and many rural areas could be without power for several weeks. Life is almost back to normal in Ottawa, but at

the end of last week the

capital's rail link with Montreal remained closed

Heathrow link

A new rail link between Heathrow Airport and London's Paddington Station opens today. Journey time will be 30 minutes to Terminals 1, 2 and 3, and 35 minutes to Terminal 4. Called Fast Train, the service is free until Sunday night for anyone with a valid air ticket; after that, a one-way fare of £5 applies. This is a truncated version of the long-planned Heathrow Express, which is scheduled to begin in June and take

full service begins, trains will tun straight to the

Electronic tickets

British Airways is to introduce electronic ticketing for flights between the UK and Germany by the end of this month - its first offer of ticketless travel to destinations outside the UK. BA's pariner, Deutsche BA, will provide the same service. Passengers carrying only hand luggage will be able to get boarding pas from machines at most of BA's UK departure airports, as well as in seven airports

in Germany - at Reclin

Frankfurt, Cologne,

Manich Dusseldorf. Hamburg and Stuttgart. The airline is expected to extend the option to its French services in the next few

Beirut stopover

Rusiness travellers keen to take a look at the renaissance of Beirut are offered a one-night stopove by Middle East Airways. For \$75 (246), passengers flying to other destinations in the region can break their journey and stay in a four-star hotel. Fares cover airport transfers and a choice between dinner or a visit to the theatre or

Debonair hub

Low-cost carrier Debonair is

to set up base in Calabria. southern Italy. On February I it will start flights from Lamezia and Reggio to Turin, Bologna, Florence and Rome. Debonair's existing hubs are at London's Luton, Barcelon and Munich. Plans to construct a bridge linking Sicily with the Italian mainland and the development of a seaport at Giois Tauro will lead to 'umprecedented demand' for flights between north and south italy, according to Franco Mancassola.

chairman and chief

Likely weather in the leading business centres

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CLUB CLASS

The crisis has made the region better value for visitors, says Amon Cohen

only 15 minutes. When the

sia's economic crisis is causing havoc right across the region. But someone always seems to benefit from others' misfortunes: this time it is the turn of the business traveller.

The cost of visiting the region is lower than it has been for years. British travellers are doing best of all. thanks to the particularly strong performance of ster-

Few Britons in their right minds would have gone to Japan earlier in the 1990s unless their company were paying. Now, with the yen at about 215 to the pound, prices have halved since three years ago, and Tokyo Is in many respects cheaper than London or Paris. A subway ticket within the city centre costs the equivalent of 74 pence, while a 2km taxi ride costs £3.40. A set lunch ls as little as between £3.00 and £5.50.

in some of the worst affected countries, westerners are being helped not only by favourable exchange rates but by actual price cuts. It is reminiscent of the Gulf war period in Europe. with stories of travellers haggling down the rate.

Gavin Greenwood, senior Asia analyst at Control Risks Group, the security clear when they arrive that exchange rates make pros- part] likely to be directed at Greenwood.

The flip side of the Asian coin

they intend to pay in the local currency, he says. Tony Hughes, chairman of the Guild of Business Travel Agents, says a good deal can also be arranged from home. particularly for hotels in Hong Kong, South Korea, Thailand, Indonesia and Malavsia, which saw frenetic hotel-building. The downturn means there is a considerable over-supply of rooms.

"Asian hotels are trying to maintain their published rates but a good corporate travel agent will be able to get you a deal behind the scenes," says Mr Hughes. After big increases over the past three years, even airfares are starting to fall. "There has been a definite softening on certain routes, says Mr Hughes. "Hong Kong has decreased dramatically and Tokyo is also

It may be cheap, but western companies must decide whether it is worth visiting the Asia-Pacific region at all. Bankers are being kept busy with restructuring consultancy, cautions that deals and some long-term hotels are trying to offset the energy projects have damage by charging in US survived. But shrinking dollars. Guests should make capital and depressed



Seoul: foreign visitors may benefit from the financial crisis

pects grim for most export- foreign or minority groups

"Everyone in the region is scaling back, particularly in defence, civil engineering and property development." says Mr Greenwood, coauthor of Outlook. Control Risks Group's annual security survey, published this week. "There may be cheap rooms but there may be no point in taking them."

Outlook also warns foreign companies based in the region to be wary of growing xenophobia, "Anger is fin

who appear to have benefited from the crisis or who are deemed responsible for imposing unpopular measures to restore economic viability and confidence." the report says.

Mr Greenwood believes westerners will have the roughest ride in South Korea, "The Japanese are usually the betes noires of the Koreans. That could change if western companies go cherry-picking among Korean companies," says Mr

"The Koreans quite rightly have a high self-regard for their economic achievements and they fear that everything they have built up is going to be taken over. They are tough people and are likely to prove so in retreat, might feel uncomfortable in

Fortunately, discomfort is not likely to escalate into threats to personal safety. Violence in the region is more likely to be directed towards ethnic minorities. especially the Chinese, says Mr Greenwood.

Nor does Mr Greenwood believe that western compaties will fall victim to arbitrarily punitive actions. The whole weight of the measures imposed by the likes of the International Monetary Fund is on the only way out being through exporting. That will be difficult enough without harassing foreign companies," he says. "However, that may change during the eventual recovery phase when expec

tations are rising again." Visitors to the region should be sensitive to the effect of the crisis on their hosts, as the boot may yet return to the other foot, and he used to punish foreigners who exploited or offended the locals during the hard times. Says Mr Greenwood: "It would be counter productive for business people to go to the region and try to rub anyone's

Why alliances are just the ticket

Airline partnerships offer many benefits for their customers, argues Gillian Upton

airline ticket office opened. The office, in London's Conduit Street, is a shop window for Air Canada. Lufthansa, United and SAS, the four biggest partners in the Star Alliance, the travel industry's biggest airline grouping. The two remaining partners, Thai and Varig. have offices nearby.

The opening represents a real consumer benefit. If a traveller has a combination of flights, it provides onestop ticketing.

Before that office opened, i was as cynical as everyone else about airline partnerships. A consolidation of airline power did not augur well for the consumer. How could it? Dominant or monopoly positions in the skies would limit choice, as it would offer little opportunity for new carriers or existing airlines to compete with anything but a token service. Unprofitable routes would disappear and smaller carriers servicing them would go to the wall. And business travellers would

never see lower fares. Lower fares are taking a while to happen, but other ments such as access to

lines are now reaching more passengers in a more costeffective manner, by using aircraft more efficiently and cutting costs from shared facilities, such as joint sales offices. "The benefits on the costs for the airlines are huge," says Chris Tarry, transport analyst with Dresdner Kleinwort Benson

Stephen Egli of Delta Airlines believes there has been some movement on ticket prices. "The market dictates pricing so it's difficult to pinpoint examples, but roundthe-world fares are incredibly inexpensive and you can still pick up the frequent-

flyer benefits." I am still not entirely convinced, but I can see the benefits arriving. One of the most popular is the increased flexibility of frequent-fiver programmes. which means that points accrued on one partner can be used for benefits such as upgrades and free flights with the others.

And because alliance partners are consolidating ground facilities, passengers are benefiting from develop-

ast July a new kind benefits are obvious. Air- more lounges and through check-in and baggage transfers to the final destipation.

Alliances did not get off to a good start, which has fostered their negative image. Badly matched codeshare deals were struck, and the concept was not communicated well enough to passengers, who were often annoyed and occasionally shocked by the reality of the arrangement.

Under codesharing deals, one airline can sell seats on another while maintaining its own code and flight numbers. That is fine when the two airlines are of a comparable standard, but that has not always been the case.

Emirates, for example, cancelled its codeshare with Cyprus Airways after complaints that the Cypriot carrier's business class was not a patch on that of Emirates. Another short-lived link was the one between TWA, the US carrier, and Maley, the Hungarian airline.

Andrew

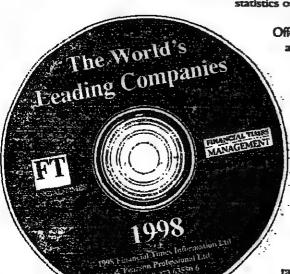
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in the short term at least. business travellers will benefit from greater convenience and services. More pennies in their pockets, however, may take a bit longer.



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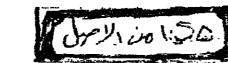
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LAUSANNE The development of Pointilis the subject of an exhibition opening on Friday at the Fondation de l'Hermitage.

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NIGHMENT THE

DANCE

Tel: 49-30-2035 4555 www.staatsoper-berlin.org Swan Lake: new staging by Patrice Bart, with designs by Luisa Spinatelli, Jan 23

■ CHICAGO CONCERTS ' Orchestra Hall Tel: 1-312-294-3000

Tracing the influence of Seurat on a whole generation of young painters, it includes more than 100 works from public and private collections in Europe and the US.

LONDON Inventing America, the Barbican's year-iong celebration of American culture, gets underway this week with two exhibitions and a concert performance on Sunday of John Adams's Noon in China. The two exhibitions are a display of the world's best customised Harley-

Davidson motorcycles (above

communities in the US.

right) and a selection of decoration

arts from one of the oldest Shake



tonight and a benefit gala on

Saturday, featuring John

The artistic riches of

England's regional galleries

Tavemer's The Whale.

are the focus of an

exhibition opening on Thursday at the Royal Academy. It includes 400 works by artists as diverse as Canaletto, Gainsborough, Barbera Hepworth (below) and The British Museum is showing 140

paintings and drawings from the collection of Prince and Princess Sadruddin Aga Khan. Opening on Thursday, the display features an unrivalled selection of Persian paintings, as well as . Mughal, Ottoman and 19th century Indian works.

Kevin Elyot,

1994's highly successful My Night with Reg, has the premiere of his latest play. The Day i Stood Still, presented at the National Theatre's Cottesioe auditorium on Thursday, Ian Rickson, shortly to start work as artistic director of the Royal Court, directs.

ARTS

The Royal Shakespeare Company launches two of its most admired 1996 productions in Landon this week. Adrian Noble's production of Cymbeline opens tomorrow at the Barbican Theatre, Katie Mitchell's two-part account of The Mysteries opens at the Pit on Wednesday

HELSINKI On Saturday, Osmo Vánská conducts the first performance in Helsinia this century of Sibellus's complete Karelia music. The concert by the Lahti Symphony Orchestra also includes extracts from the original and final versions of the Fifth Symphony.

The venue is the University Hall. where the symphony Was premiered in GENEVA

A stage adaptation of William Golding's novel The Lord of the Flies opens tomorrow at the Stratz and designed by Ezio

Comédie. It is directed by Claude Totiolutu, with a French text by

SALZBURG The 1998 Mozartwoche begins on Friday. This year's highlights include recitals by Murray Perahia and Cecilia Bartoli (left), and orchestral concerts conducted by Rattle and Muti.

ZURICH John Eliot Gardiner (above)

makes his debut in the Zurich Opere House on Wednesday with a new production of Weber's Oberon, staged by Johannes Schaaf.

CHICAGO

A major new orchestral work by Sir Harrison Birtwistle is premiered on Thursday at Orchestra Hall. Daniel Barenboim conducts the Chicago Symphony Orchestra, and there are repeat performances on Friday and Saturday.

BOLOGNA

Daniele Gatti's second production as music director of the Teatro Communate is Simon Boccanegra, with Alexandru Agache in the title role and Barbara Frittoli as Amelia. Pier'Alli's staging receives 10 performances, starting on





Petr Altrichter, left, and Sakari Oramo: their concerts last week with the RLPO and CBSO respectively threw up uncomfortable questions

After the romance, the reality

Andrew Clark reports on two new principal conductors with hard acts to follow

Two of Britain's orchestras have just woken up to the fact that whirlwind musical romances do not necessarily translate into long-term compatibility. When the City of Birmingham Symphony and the Royal Liverpool Philharmonic Orchesprincipal conductor in 1996, both fell in love with unknown foreign suitors. Without further ado, Sakari Oramo and Petr Altrichter were chosen to succeed Simon Rattle and Libor Pesek. Last week, a different reality dawned.

Oramo, a 32-year old Finn, returned to Birmingham on Thursday for his first concert since his appointment was announced 18 months ago. His performances of Mozart's Symphony No. 39 and Sibelius's Second were so crude and immature that the CBSO players must be wondering what has hit them. It wasn't just Oramo's inflexibly. brisk tempos which grated. His Mozart was charmless, and he made the Sibelius sound like a

Stalinist buttle-hymn. The previous evening in Liverpool, Altrichter conducted the UK premiere of a contemporary work by a Czech compatriot - a pointer to the kind of music he believes in. Zdeněk Lukas's Sixth Symphony, which is dedicated to tra was at a low ebb and, most

arry in haste. Altrichter, turned out to be important of all, he had cha- art performance as ugly and banal, derivative and trapped in a pre-1950 time-warp.

These two concerts threw up tions. Does a Finn know instinctively how to interpret Sibelius? Is a Czech a failsafe guide to his country's music? And are orchesests? In each case, when the new conductor was appointed, it was stressed that the choice reflected the unanimous wish of the orchestra. When Oramo first came to Birmingham, he had barely three years' podium experience: three wears to leap from his first down-best to one of the highest-profile conducting posts in Europe. Altrichter, a former chief conductor of the Prague Symphony Orchestra, has more experience than Oramo, but he has no manager, no record company and no international profile.

These issues must weigh heavily in Birmingham and Liverpool, both of which are emerging from a period of unbroken artistic development. This summer sees the end of Rattle's 18 year reign at the CRSO, a success story without parallel in British musical history. He may have been only 25 when he took on the job, but he had served useful apprenticeships elsewhere, he arrived when the the orches-

No one wanted a Rattle clone to succeed him. Where Sir Simon all sorts of uncomfortable ques- is a flashy dresser, Oramo looks bookish and bespectacled, with the platform manner of a bank manager, Where Rattle favoured Mahler, the Czechs and Poles, his tral musicians the best judge of successor is interested in Tchaitheir own long-term artistic inter- kovsky, mid-century English music and other repertoire long neglected in Birmingham. Rattle had his first orchestral experiences as a percussionist; Oramo is a former leader of the Finnish Radio Symphony Orchestra with which he made his sensational conducting debut in Helsinki in 1993, standing in at short notice for an indisposed guest.

hey do, however, share an interest in Scandinavian music. and by beginning Thursday's concert with Magnus Lindberg's Arena, Oramo served notice that he shares Rattle's commitment to contemporary music, and is an equally skilled exponent. Lindberg's restlessly inventive score came across with unexpected warmth and luminosity.

Judging by his Mozart, the classical repertoire is where Oramo has least to offer. The Andante was unrecognisably fast, the finale frenetically overconducted: I cannot recall a Moz-

shapeless. Worse was to come in the Sibelius. The slow movement sounded like a scherzo, with clipped phrase-ends and scrabbled rhetoric; and his glib treatment of the finale's climaxes robbed the music of nobility and tension.

Perhaps Oramo was nervous; perhaps he will come good - but this encounter suggests Birmingthe ground with a bump. The Rattle factor will take time to wear off: in the next six months. the CBSO tours to Vienna, Japan and the US, and gives a Beethoven cycle at the Salzburg festival, before returning home for Sir Simon's valedictory performances of Mahler's Second Symphony. The autumn opening of the CBSO's £5m administrative and rehearsal home marks a further stage of development

Beyond that, Birmingham's artistic fortunes are uncertain. Not only does the CBSO have an new, untested conductor; after two decades of enlightened local authority support, it is also beginning to feel the financial squeeze. Such problems are old hat for the Royal Liverpool Philharmonic, whose local authority grant is less than five per cent of the CBSO's. That goes a long way to explaining the RLPO's £1.3m deficit. Despite this, the orchestra has a stable operating basis, thanks to the support of Liver-

pool's business community and its ownership of Philharmonic Hall. But the deficit discourages risk-taking - a fact reflected in the RLPO's programmes. When Altrichter took up his

appointment in September, many questioned the wisdom of replacing Pešek with another Czech. The move is not as odd as it seems. They have contrasting ham may soon find itself hitting interests within the Czech reper | Esme's lifestyle; and his very toire, and where Pesek favoured Mahler and French music. Altrichter tends towards the classical and Russian repertoire. His choice of the symphony by Lukas (b.1938) may raise doubts about his musical taste, but at least he has plenty of repertoirs under his belt. Judging by the Schubert Rosamunde overture which opened Wednesday's concert. Altrichter knows how to communicate his enthusiasm, and his accompaniments for Peter Donohoe in Brahms's First Plano Con-

cerio were colourful and refined. The problem for Liverpool is one of image. Pašek was not just a fine musician; he oozed charm. Altrichter is going to be difficult to market - and in an age where conductors are expected to project the public face of their orchestras, that will have implications for the RLPO. After a decade of international exposure. it looks as if Liverpool, like Birmingham, must steel itself for less exciting times.

Theatre/Alastair Macaulay

How Amy grows

hen David Hare's Amy's View was new at the National Theatre in 1997, Judi Dench's performance as Esme was the greatest performance by an actress to be seen in London all year. Now that Richard Eyre's production has transferred to the Aldwych Theatre, her performance is yet greater. The performances by the rest of the cast have grown too above all Samantha Bond's as Amy, Esme's daughter. And the best news of all is that the play eems also to have grown. It is still true that Amy's View

has faults, some of which become more nagging in recollection than at the time one experiences the play; but to be nagged by them is also to be excited by the play Amy's Vicus wants to be, and to feel just to how great a degree it succeeds. I have now seen it three times, loving it better each time.

To sense the glaring faults of something and still to love its virtues is, in fact, to be very close to the heart of what Amy's View is all about. Esme is a middle-aged actress (funny and scathing, obdurate and tender. myonic and shrewd) who, for three of the play's four acis. embodies and espouses all the lovable theatricality of upper-middle-class England itself, its mixture of charming social façade and laughing tronic detachment.

Dominic, her young son-in-law (or, for the first two acts, her daughter's lover), is an outsider to all that. A handsome and tough-minded media personality (as he soon becomes after Act One), he is ready to expose all the cosiness and double values of readiness to debunk anything in established art or society is comething that Esme is quick to oppose with equal scorn. Amy, who loves them both and is torn apart by their increasing hostility to each other, tries in vain to make them at least talk and spend time with each other. Or (see Act Four) perhaps not in vain.

Once you are caught up in the histernose between Erms and Dominic, and in Amy's pain, you are caught up in a drama uncompromising honesty or loving reconciliation? - close to that of Molière's The *Misanthrope.* But you are also in quintessentially David Hare terrain. How many of his past characters have been dissenters, and how many of his previous dramas have been about the pains of compromise!

But I think Amy's View is an advance on any of his earlier and that is in its richness of

texture. The sheer domestic tension of mother-in-law versus son-in-law is so real; and yet Hare easily places it within a far larger socio-political climate (unplanned pregnancy: live theatre vs film and TV: callow TV arts criticism and hospital soap-operas; opening the fete in one of London's Rome Counties dormitory villages; unlimited personal liability in membership of Lloyds; the truth and artifice, the pretentiousness and sincerity of theatre) in whose details it is a great pleasure to be absorbed.

OK, let me touch quickly on the play's flaws. Hare has a terrible trick here of disclosing to the audience (usually for comic effect, once for tragic/ melodramatic effect) information halfway through a scene that everyone onstage has known since curtain-rise, Amy really is not the loving daughter she is made out to be: the fact that she has not spoken for six painful months to her mother before Act Three is vitlated by the fact that in Act One it is already painfully obvious she knows precious little of ber mother's current career and life. And, worst, Dominic is less a character than the mere negative to Esme's positive. It is ludicrous that anyone, least of all his future wife and mother-in-law, should label as an "intellectual" or "critic" this intellectually incurious, ill-educated, shallow

must add, however, that Dominic nonetheless goes a greater personal distance by the end than the actor Eoin McCarthy reveals. Though McCarthy has brought more force to Dominic's arguments. and though he has the good looks and anger for the role, he has too monotonous and callow a method to put serious flesh upon the bare bones that Hare has given him.

charcoal sketch of a man, so

flimsy beside the oil-painting

than is Esme.

Christopher Staines is outstanding as the young actor Toby: just how his scenes with Esme become the most affecting part of the play is impossible to explain, but they are. Ronald Pickup as Esme's suitor Prank (oh! his line on Dr Zhivooo and criticism) is superb, and Joyce Redman does wonders with Evelyn, As for Dench and Bond, their performances are the best examples today before the British public of how great acting can make a world onstage real and, further, can take the audience along a large and rich journey. It is easy to find fault with Amy's View; but the best way of praising it is to see just how much these actors make of it.

INTERNATIONAL

AMSTERDAM

EXHIBITIONS Stedelijk Museum Tel: 31-20-5732911 www.stedelijk.nl Malevich: Works on Paper from the Khardzhiev Collection Exhibited for the First Time. 79 drawings in pencil, chalk, gouache, ink and watercolours spanning almost the whole of the artist's career, to Jan 25

BERLIN

Staatsoper unter den Linden

www.chicagosymphony.org Chicago Symphony

Orchestra: conducted by Christoph Eschenbach in works by Mendelssohn, Mozart, R. Strauss and Corigliano, With soprano Renée Fleming; Jan 20 Chicago Symphony Orchestra: world premiere of Sir Harrison Birtwistle's Exody. conducted by Daniel Barenbolm. The programme is completed by Beethoven's Violin Concerto in D Major, with soloist Itzhak Perlman; Jan 22, 23, 24

COPENHAGEN **EXHIBITIONS** Louisiana Museum of Modern

Tel: 45-4919 0719 www.louisiana.dk Francis Bacon: this first major retrospective of Bacon to be mounted in Scandinavia will include loans from around the world: opens on Friday The Louisiana Exhibition 1997: New Art from Denmark and Scania. This first of a planned series of shows which will present contemporary work from the region contains new works by around 50 artists; to Feb 8

■ GLASGOW EXHIBITIONS Burrell Collection

Tel: 44-141-649 7151 Sir John Lavery (1856-1941): The Irish Glasgow Boy. Highlights include "The Tennis Party" (1885), "State Visit of Queen Victoria to the Glasgow International Exhibition* (1888). and major portraits in which the influence of Whistler is clearly

visible; to Jan 25

LONDON CONCERTS Barbican Hall Tel: 44-171-638 8891

Queen Elizabeth Hall

London Symphony Orchestra: Shelf LSO 21st Anniversary Concert, Conducted by Elgal Howarth in works by Mendelssohn, Jacobs, Cashian and Britten; Jan 21

Tel: 44-171-928 8800 London Sinfonietta: Elliott Carter at 90. Oliver Knussen conducts a programme of works by Carter, including the UK premiere of his Clarinet Concerto. With soloist Michael Collins: Jan 19 London Sinfonletta: 30th Birthday Benefit Gala. Including two world premieres, and John Tavener's The Whale. Markus Stenz conducts: Jan 24

EXHIBITIONS National Gallery Tel: 44-171-839 3321 Recognising Van Eyck: bringing together several rare works by the 15th century Netherlandish master alongside other works; to Mar 15

OPERA Barbican Hall Tel: 44-171-638 8891 Nixon in China: the London premiere of Adams' opera is the opening concert of the "Inventing America" festival. Kent Nagano conducts the London Symphony Orchestra; Jan 25

Shaftesbury Theatre Tel: 44-171-379 5399 The Royal Opera: Le nozze di Figaro, by Mozart. Conducted by Charles Mackerras, with designs by Peter Pabst; Jan 19, 21, 22,

LOS ANGELES CONCERTS **Dorothy Chandler Pavilion** Tel: 1-213-365 3500 Los Angeles Philharmonic: conducted by Franz Welser-Möst in works by Mozart and

23, 24

Bruckner, Jan 22, 23, 25 L. A. Opera, Dorothy Chandler Tel: 1-213-972 8001 www.laopera.org Salome: by R. Strauss. Revival of Sir Peter Hall's celebrated production. Conducted by Richard Hickox, with Hildegard Behrens in the title role; Jan 21, 24

MILAN **OPERA**

Teatro alia Scala Tel: 39-2-88791 Il Cappello di Paglia di Firenze: by Rota, Conducted by Bruno Campanella in a staging by Pier Luigi Pizzi; Jan 20, 23, 24

■ NEW YORK CONCERTS Avery Fisher Hall, Lincoln Center

Tel: 1-212-875 5030 Israel Philharmonic Orchestra: conducted by Kurt Masur in Beethoven's Symphony No. 9;

New York Philharmonic:

conducted by Leonard Station in works by Mozart, Bernstein and Corigliano, With soprano Kathleen Battle; Jan 20 New York Philharmonic: world premiere of Zorn's Orchestra Variations, conducted by Leonard Slatkin. Programme also includes works by Schuman, Schwantner and Copland. With percussionist Christopher Lamb; Jan 22

EXHIBITIONS Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org John La Farge: more than 30 paintings and stained glass windows by the 19th century American; to Jan 25

Museum of Modern Art Tel: 1-212-708 9480 www.mome.org On the Edge: Contemporary Art from the Werner and Elaine Dannheisser Collection, More than 80 works by artists including Tony Cragg and Cindy Sherman; ends tomorrow

OPERA Metropolitan Opera, Lincoln Center

Tel: 1-212-362 6000 www.metopera.org
Capriccio: by R. Strauss. New production by John Cox, with sets by Mauro Pagano; Jan 21 La Cenerentola: by Rossini. New production conducted by James Levine in a staging by Cesare Lievi, with designs by

Maurizio Balò; Jan 20, 24

PARIS CONCERTS Salle Pleyel Tel: 33-1-4561 6589 Orchestre de Paris: conducted by Gilbert Varga in works by Strauss, Kancheli and Dvorák. With cellist Mstislav Rostropovich; Jan 21, 22

Théâtre des Champs Elysées Tel: 33-1-4952 5050 Russian State Symphony Orchestra: conducted by Evgueny Svetlanov in works by Sibelius and Stravinsky; Jan 20

EXHIBITIONS Musée du Louvre Tel: 33-1-4020 5151 www.louvre.fr Pajou, sculpteur du Roi: first retrospective devoted to works by the French sculptor (1730-1809), a favourite of Louis XV and Louis XVI; ends today. then travelling to New York

ROME EXHIBITIONS Musei Capitolini Henri Matisse: more than 200 works are included in this major exhibition, which aims to demonstrate the profound influence of Oriental art upon the

OPERA Teatro dell' Opera Tel: 39-6-481601 www.themix.it Le Nozze di Figaro: by Mozart.

great modernist; ends tomorrow

Production for the Teatro Comunale in Florence by Jonathan Miller. Conducted by Hans Graf; Jan 22, 24, 25

TORONTO OPERA

Canadian Opera Company, Hummingbird Centre Tel: 1-416-363 6671 Hansel and Gretel: by Humperdinck. New production, previously seen in the US, designed by Maurice Sendak and directed by Frank Corsaro. The conductor is Randall Behr, Jan 23, 25

TV AND RADIO WORLD SERVICE **BBC World Service radio for** Europe can be received in vestem Europe on medium wave 648 kHZ (463m)

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At 08:20 Mark Gay of FTTV reports live from LIFFE as the London market opens.



Philip Stephens

monetary policy and won-

der whether it can work.

That, though, is no longer

The gulf between the pro-

spective insiders and the

outsiders was brought home

to me at a weekend gather-

ing of the Franco-British

long before he left the heim

Tony Blair's government.

Sir Christopher Mallaby, a

former ambassador in both

Paris and Bonn. now holds

the British reins. On the

French side it is run by

Jean-Louis Bella, president

of Saint-Gobain. Over the

years, the Colloque has

developed as a vital forum

for the two countries' politi-

shot through with

arrogance, is that

committed to the

Emu project there

is no debate of its

Coming soon

on a screen

near you:

FT comment:

consequences

The assumption,

Anglo-Saxon

among those

the point.

Intellectual gulf

Outsiders are obsessed with the perils of Europe's single currency; insiders are working out how it will change things

he euro is all but upon us. The Janualbeit imprecisely mapped, ary 1999 starting of a long-established jourdate is a mere techney. It is hardly a surprise nicality. We will have conthen, that the two sides talk firmation by the spring of past each other. the number of countries I make these observations participating. It is unlikely not as a persuader for Emu. to be fewer than 11. Once You do not have to have they have taken their place hang-ups about national on the starting grid, ecosovereignty to think the

will be a reality. The Anglo-Saxon reflex is to foresee catastrophe. This the fall of the Berlin wall. is an enterprise that Britain never wanted and the US never troubled to understand. It would be curious if either now gave it their blessing. From policymakers in Whitehall and the Bank of England we are offered an interminable list of the snares and pitfalls. Warnings from luminaries on the other side of the Atlantic have been positively funereal. Europe's economies are already sclerotic. Emu invites famine.

nomic and monetary union

Colloque. The Colloque was the idea of David Simon pestilence and war. The assumption, shot through with Anglo-Saxon of British Petroleum to join arrogance, is that among those committed to this project there is no debate of its consequences. They are blinded by dogma. Governments in Bonn. Paris, Rome. Madrid and the rest will not confront the issues because to do so would be to admit the horrors that ile ahead.

The truth is otherwise. There is a debate among its authors about the single currency. But it is one that simply does not connect with the dialogue in the Anglo-Saxon world. While the cleverest minds in London and Washington focus obsessively on the dangers, those on the other side of the English Channel concern themselves with how it will remould the contours of

their continent. To the outsiders, the enterprise is a perilous excursion into the unknown. The door to Emu opens on to the edge of a cliff. To its prospective parents, the single currency

represents another stage. cal and business elites. underestimated the role of say that the French representatives at this latest meeting were entirely immune to Anglo-Saxon scepticism. There was much straight talking about the risks to the euro zone econshocks. French industrial-European Union's energies ists and policymakers were candid also about the link could have been better directed in the aftermath of between excessive social costs and regulation and the country's high unemploy-And I, too, glance at the high levels of unemployment - even if they gently ment, the deflation wrought reminded their British hosts by efforts to meet the Maasthat France's tradeable tricht criteria, and the prosgoods sector has never been more competitive. pect of a one-size-fits-all

Their conclusion, though, is that these are supply-side problems to be tackled nside Emu. In macroeconomic management, the continuity rather than dislocation. As one of France's most influential policymakers remarked, seven of the prospective members have been running a single monetary policy for the past 11 years.

For Germany, France, the Benelux and Austria, the euro represents the exchange of wedding rings between partners that have long been cobabiting. As for high unemployment, it is a problem demanding micro rather than macro-economic solutions. Greater transparency in labour and product markets will hasten the pro-

cess of structural reform. In this analysis, the traditional British concern that the single currency is the precursor to a united states of Europe is also wide of the mark. Britain tends to see political union in terms of the construction of new federal institutions, For its continental partners, it is to the serious questions of much more about process than architecture. If one looks at the complex of mutual obligations to which the prospective participants have signed up, political union is integral to Emu.

It would be misleading to the prospective club of single currency finance minis ters. Mr Blair has extracted reassurances that Britain's voice will still be heard. Bonn has said the club cannot challenge the independence of the European central bank.

These supposed constraints will not stop Euro-X from developing into one of Europe's most powerful institutions. Formally or informally, it will intensify and extend the process of policy co-ordination. Taxes and social costs may not be harmonised, but new frameworks will be established. The central bank needs this political counterpoint. The future of Emu will depend as much on decisions taken by governments as on the

in the US, Alan Green soan, chairman of the Federal Reserve, sits down to breakfast every week with Robert Rubin, US Treasury secretary. Before long Euro-X will elect a chairman to sit down likewise with the head of Europe's central bank.

There will be a similar political role to be played within international institutions like the Group of Eight and the International Monetary Fund. And here, Euro-X will challenge US hegemony. Europe's four largest nations have collectively contributed as much as the US to the international rescue operation for South Korea. But the terms have been written entirely in Washington. That will change when the euro bloc speaks with a single voice.

In all this there are still great uncertainties. Euro-X offers only a partial answer political legitimacy raised by the single currency. For Anglo-Saxons, though, the moment is fast approaching to stop explaining why Emu cannot work and to start thinking about how it will Here I think, many have change things.

·LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9111.

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'Arrows in the back' only for those facing the wrong way

From Ms Teresa

Sir, Contrary to Robert Denham's eulogy bemoaning the fall of junk bond pioneers Peregrine and Drexel ("Pioneers fated to bite the dust", January 15), legitimate pathfinders do not "get arrows in their backs" unless they are facing the wrong way. Indeed, these firms took two wrong turns that proved their ultimate

First, they simply underwrote deals that were so dodgy that no viable secondary market for them could develop. By the time Drexel

folded in 1990, the number of dealers and investors participating in the junk bond market was legion. However, many bankers refused to trade Drexel's deals because they contained too many legal idiosyncrasies and were the product of poor due diligence.

When Drexel fell, there was a ready market for high quality paper like RJR/ Nabisco, even among nontraditional junk bond players. Not so for "real junk" like Peregrine's "Steady Safe" underwriting.

Second, both Peregrine and Drexel exhibited a lack

of prudential judgment that belied their reputation formarket sophistication. Peregrine irresponsibly risked about a third of its capital in the inaptly named "Steady Safe". Drexel's criminal record speaks for itself.

It is true that both Peregrine and Drexel deserve credit for their pioneering efforts in high yield bonds. However, both firms failed because neither was a "straight arrow".

> Teresa Wyszomierski, 61-87 56th Avenue, Maspeth, New York 11378;

mainstream investor. The

a subscriber to Pensions

other councils and fund

Investment Research Consul-

tants (Pirc), alongside many

managers. Yet even at a pen-

sions conference last week I

clients were generally happy with its decision." Institutional Fund Managers' Association consulted widely among its members

in November on this topic and our recommendation, issued on December 8, was that they should follow the Stock Exchange propos als and use "last trade prices for FTSE 100 stocks local authority has long been in their valuations The reason for our recom-

Most fund

managers

From Mr Stephen L. Tanner

to read Jane Martinson's

exchange trading system

100 shares, against the

(January 9) reporting on the

decision by MSCI to use the

old system of valuing FTSE

advice of the London Stock

Exchange. In it she states:

MSCI said that most of its

article "Blow to stock

Sir, I was rather surprised

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mendation to members in December was that we hoped to achieve a single system of valuation so that we would avoid, if at all possible, the situation of different fund managers using different prices to value the same security at the same time. The decision by MSCI, contrary to the stance taken by your sister organisation, the FTSE/Actuaries index compilers, means there is now likely to be a much greater deviation in the performance of these two measures of UK performance, which must lead to misunderstandings between fund managers and their clients, even when all fund managers are using the same methods to value clients' portfolios.

IFMA represents the vast majority of institutional fund managers in the UK and: so far as we are aware. our members are abiding by the Stock Exchange recommendation, even if, at the moment, the system still has some bugs and is not providing as stable a market as we had when market makers were there to take the strain.

Stephen L. Tanner, Institutional Fund Managers' Association. Roman House, Wood Street

Anything but 'gadfly' governance role

From Ms Anne Simpson, Sir, Lex argues ("Corporate governance", January 14) that mainstream institutional investors should take an active role in improving corporate governance at UK plc, but takes a swipe at 'gadfly organisations" like Pirc. This is a specious distinction. Pirc's clients are long-term institutional investors with assets well in excess of £150bn (\$245bn). They vote regularly, scrutinise management proposals at meetings, have detailed negotiations with companies and, when necessary, are prepared to take the initiative to improve standards of

corporate governance. This is surely just what Lex is calling for, and exactly what the National Association of Pension

more of its members doing.

Funds would like to see

joint managing director, Pensions & Investment Research Consultants, 145-157 St John St, London EC1V 4QJ, UK

From Councillor Alec

Kelloway. Sir, "Has the threat of legislation succeeded in galvanising UK institutional shareholders into activism?", asks Lex ("Box tickers, arise"). The article proceeds to praise "mainstream investors, rather than . . . gadfly organisations such as Pirc".

I serve on the investment sub-committee of a local authority pension fund, which manages funds of almost 2250m - surely a

heard some experts still arguing for light-touch regulation of the proposed new "stakeholder pensions", la this complacency or sheer arrogance of the pensions "establishment" in continuing to argue for self regulation? Until the industry: really does put its house in order, then independent organisations such as Pirc will be very much needed.

Alec Kellaway, Newham Council, Town Hall, East Ham. London E6 2RP. UK

Page first turned in earlier Italian era

From Dr Ida di Pietro. Sir, I was surprised to read in your article "Communist newspaper turns a page" (January 10-11) the sentence: "In the 1980s came La Repubblica, a jazzier left-ofcentre rival that seduced thousands of readers." La Repubblica in fact appeared for the first time on January 14 1976 and, with its first issue, "seduced" 300,000

It is also misleading to

place the start of La Repubblica in the 1980s since it disregards its important role in one of the darkest chapters of Italian contemporary history, namely the kidnapping and subsequent assassina-

tion in 1978 of Aldo Moro. On that occasion, La Repubblica became an important point of refere for Italian public opinion and developed into a forum

adjective "jazzier" in relation to La Repubblica, which has always kept a very clear. though sometimes difficult, political line and has represented for a whole generation the equivalent of a sus generis political party.

I suggest a more careful

use of the rather dismissive

Ida di Pietro, Rotenturmstrasse 21/2, 1010 Vienna,

London EC2Y 5BA, UK

In spite of the end of the cold war, the US still needs swords as well as ploughshares, argues **Bruce Clark**

Sticking to its guns

s cold-war swords ploughshares, the relative importance of military might as a token of American power is certain to decline. Is this correct? No precisely the opposite trend may be under way.

While the US is likely to see a steady decline in its relative share of total world trade in the decades to come, its lead in military expertise looks unchallenged and destined to grow. Along with mass-market entertainment, defence stands out more clearly than ever as one of America's greatest areas of comparative advantage in the global arena.

The incipient "revolution in military affairs" - which promises to provide commanders with perfect knowthrough highly integrated information systems – has so far been an all-American enterprise.

The gap between Europe and the US has widened since the 1991 war against Iraq. Even then, the communications traffic used to coordinate US forces in the Gulf was four to five times more intense than anything Nato could muster in

Europe's failure to develop integrated battlefield information systems has prompted US strategists such as Tony Cordesman to warn that the European side of the Atlantic alliance could be turning into a paper tiger. The self-confidence of the most successful parts of the

US military-industrial complex was apparent recently at a dinner hosted by the bosses of Lockheed Martin. The US aerospace and defence industry now comprises three giants - Lockheed, Boeing and Raytheon which is not an ideal state of affairs, conceded Norm

better a healthy trio than a dozen sick players. In any case, the information technology side of their of international influence. businesses was growing so Ironically, this is more likely

Augustine, chairman. But



Augustine: 'better a healthy trio than a dozen sick players'

fast that they now considered Microsoft, the software empire, a serious competitor. The one thing that caused them not a flicker of anxiety was the belated effort of the UK, France and Germany to consolidate their defence industries. "I've seen a lot of talk about European consolidation, not much action," said Vance Coffman, Lock-

heed's new chief executive. Behind such confidence is the fact that the annual budget of his main customer. the Pentagon, has stabilised after a long slide - at around \$260bn a year. US spending on cutting-edge military research and development is six times the European total.

This growing imbalance has implications not just for the likes of Lockheed, but also for the currency in which US global power is denominated.

If the European Union is par excellence a mercantilist power, the US could find itself a sort of praetorian power - relying more on military muscle, and less on economic power, as a token

to be true if US military power remains largely unused, so that its vulnerabilities are untested and its mystique unchallenged.

The only serious problem for the US is the extreme aversion of the public to domestic casualties in foreign wars. But the deployment of vulnerable ground troops is only one tactic available to the US.

There are more subtle ways for the Pentagon to influence outcomes far from its shores. The simplest is the selective supply of weapons, expertise and intelligence to favoured parties. Weapons such as cruise missiles and unmanned aircraft can also help to avoid the political cost of body bags.

Of course, military and economic power are not fungible in any simple way. You your way to prosperity.

cannot, under the rules of the modern world, shoot But the tone of US economic bargaining with its partners in the Group of Seven (now Group of Eight,

industrial nations has

always been affected by

When the US approaches

However, the recent lifting by the US government of its self-imposed ban on hightech arms sales to Latin America will give it a new set of aces. It can woo countries not just with F-16s, but

cises that would follow.

in which officers from other countries - including former adversaries - are invited to bond with their US counter-

parts at worthy seminars.

Times to note:

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[00 100 150]

Washington's role as military guarantor. Because of technology gap, this will

human and financial burden in its military relationships. In all America's external relations, military power is its hidden, and often unspoken, advantage. When the US addresses the EU about beef or steel, it speaks to an approximate equal. Everyone knows a huge row would hurt both sides. But recent experience in the Balkans has deepened Europe's mili-tary dependence on the US by highlighting the US superiority in satellite intelli-

remain the case even if the

US reduces its share of the

gence and air power. Latin American country in search of trade deals, it brandishes the enormous power of American capital and markets, but it cannot hide the fact that it needs those

with the joint military exer-

Arms sales, sweetened by joint war games, are only one example of foreignpolicy spin-offs from maintaining a vast military.

Another is the growing

Fellow officers tend to strike up closer relationships than prickly bureaucrats. And there is one thing that impresses visiting officers from the former Soviet Union, which was among the most militarised powers in history. When they see the Arlington cemetery, the smart West Point cadets and the docile, bug-eyed visitors touring the Pentagon, they including Russia) leading conclude, enviously, that America holds the military

COMMENT & ANALYSIS

Number One Southwark Bridge, London SEI 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Monday January 19 1998

A role for the US in Ulster

US policy towards Northern Relations with London have ireland has the capacity to be immensely constructive in, or hugely destructive of, the search for a political settlement in the province.

The White House can be a valuable envoy for the British and Irish governments in their efforts to persuade Sinn Féin! IRA to abandon violence permanently in favour of a negotiated agreement. But when the Clinton administration plays to the domestic gallery of Irish-American opinion, it provides succour for those who prefer the Armalite to the ballot box.

This is the lesson to be drawn from the weekend disclosure by Raymond Seitz, a former US ambassador in London, that Mr Clinton's early contacts with Gerry Adams, the Sinn Fein president, were driven by the White House's concern to secure Irish-American votes.

Mr Seitz's insider's account of the way in which the US administration repeatedly broke its own rules on dealing with those who support terrorism makes depressing reading. The suggestion that sensitive British intelligence information was passed to Sinn Féin/IRA is deeply alarming. Mr Seitz left his post in 1994, but his concerns about the overtly nationalist sympethies of Jean Kennedy-Smith. the US ambassador in Dublin, have subsequently been echoed by other senior US diplomats. It might be said that this

phase in US policy is now over.

been repaired and, with Sinn Fein/IRA holding to a second ceasefire, Mr Adams' trips to the White House have been followed by meetings with Tony Blair in 10 Downing St. In reality, it is more impor-

tant than ever that Mr Clinton eschews domestic US politics in his approach to Northern Ireland. The multi-party talks in the province are now entering their most dangerous phase Martin McGuinness, the chief Sino Féin/IRA negotiator who will accompany Mr Adams at his meeting with Mr Blair today, has rejected the negotia ting document produced last week by the London and Dublin governments. By murdering innocent Catholics, hardline loyalist paramilitaries are giving Republicans a convenient cover to end their cease

In such perilous circumstances, the duty of the US administration is to use all its political weight to persuade Sinn Fein/IRA to keep talking. Access to the White House and the capacity to raise funds from Irish-Americans are precious commodities for Mr Adams.

The White House should make it clear that both will be withdrawn - permanently - if the present ceasefire is broken If he does otherwise, Mr Clinton will lay himself open to the charge that he puts votes for US Democrats ahead of lives in

Russian reform

hirched again last week, leaving its leading young reformers stranded in the rear. Victor Chernomyrdin, the prime minister, representing the solid centre ground and gradual reform, is back at the controls. It was a classic manoeuvre by president Boris Yeltsin to keep his closest allies off-balance. But it may not do much to help the ailing Russian economy.

The cabinet reshuffle leaves both Anatoly Chubais and Boris Nemtaov, first deputy prime ministers, stripped of their most dent is far too wily to allow important authority. Both the such a presumption. But he finance ministry, which used to report to Mr Chubais, and energy, which was Mr Nemtsov's responsibility, now come under the direct control of the prime minister. Mr Chubais retains responsibility for the vital but thankless task of reforming public finances and ensuring taxes are collected, but is no longer economic supremo. Mr Nemtsov loses his sweeping power to curb oil and gas monopolies, but is left with other huge areas to reform: electricity, housing and transporta-

tion - all political minefields. One disturbing fact about the reshuffle is that Mr Yeltsin has seen fit to move so fast. The reformers were put in office only last March, and announced big ambitions, including drafting an entire new tax code, regulating the natural monopo-

Russia's political roller-coaster lies, and bringing public finances under control.

The president appears to have decided that the young Turks had made too many enemies to be allowed to maintain their powers. Mr Chernomyrdin has been more successful in cultivating links with his old comrades in industry, with the commu-nists in the Duma, and with the businessmen and bankers who hold sway in the new Russia.

It is too early to say that the prime minister will be Mr Yeltsin's successor: the old presiremains the man most likely to

For foreign investors, however, he has one important weakness. He is too closely identified with the old energy establishment in general, and with his old firm, Gazprom, in particular. The suspicion is that he will allow the giant gas monopoly, which is responsible for about one-third of all Rus sia's hard currency earnings. free rein in the energy sector That would be a severe discouragement to the foreign invest-

ment Russia so sorely needs. Mr Chernomyrdin must make clear he is prepared to clip the wings of Gazprom and the other natural monopolies, and pursue the tax reforms initiated by his young team. These are preconditions for sustained recovery of

Bibi's bluff

East peace process starts today in Washington, after nearly a: year in which the Oslo accords between Israel and the Palestinians have stalled to the point of sliding into reverse. President Bill Clinton is holding talks with Benjamin Netanyahu, Israel's prime minister, before meeting Yassir Arafat, the Palestinian leader, on Wednesday. Washington's task is to cajole Israel into making its long overdue withdrawal of troops from the West Bank "significant and credible", and to halt the new wave of Jewish colonisation of occupied Arab land which has regional settlement. This, in Arab neighbours. Peace and exchange for a "100 per cent security are indivisible, and effort" by Mr. Arafat in fighting both require the return of con-Islamist suicide bombers intent on destroying Oslo, is the minimum requirement for realistic this clear and beyond doubt. He negotiations to resume. Yet the should assume Israel's position lead up to the Washington talks could hardly be less propitions. because the time has come to . Israel's cabinet, dominated by rightwing nationalists and religious fundamentalists, on try to go round the US president Mr Netanyahu that lay claim to in Congress - as he has done in

will not be honoured.

Decision time on the Middle Palestinians, all related to providing Israelis with a level of security that Israel itself could never deliver - even when it had complete control of the occupied territories.

While Israell tactical filibustaring has been evident since Mr Netanyahu took office 18 months ago, a strategy is now emerging that would prevent the Palestinians from ever get ting a viable homeland in the West Bank and Gaza. Unless this strategy is firmly resisted, there will be no peace in the region. And without peace, Israel, 50 years old this year. will not secure its right to live all but destroyed hopes of a in security, recognised by its quered Arab land,

Mr Clinton now has to make is maximalist posturing, call Mr Netanyahu's bluff.

The Israeli leader may well Wednesday set guidelines for and rely on the pro-israel lobby more than half the West Bank the past. But two can play that in all future arrangements with game. Mr Clinton should pitch the Palestinians and that, if his message at the Israeli interpreted literally, mean that people, who throughout all the numerous Israeli commitments setbacks have ching to the prosunder the existing Osio treaties pect of peace and of becoming a normal country. A firm stand is Attached to the guidelines is a the greatest gift the US could 12-page list of demands on the offer Israel on its 50th birthday.

The new Spanish explorers

Many companies are discreetly turning themselves into pocket-sized multinationals, as **David White** explains

Picosa International was a household name, even in Spain. It is a familycontrolled Catalan company. little known except to clients in the motor industry. It makes rear-view mirrors, windscreen washers and the like. Until the mid 1980s it was a purely Spanish company with a Spanish market, exporting no more than 4 per cent. But now it has factories in four continents and does 70 per cent of its \$300m-a-year business

Here is a new breed: the pocket-sized Spanish multinational. Unlike Italy, Spain has never been well represented among world-league companies - no names like Fiat or Pirelli or Benetton. It has been a receiver of foreign investment, but until recently barely figured as an

Since 1965, when it signed its accession to the European Union, Spain has been the biggest net recipient of direct foreign investment in the OECD area, according to figures from the 25-nation organisation. But since 1994 the net influx has been smaller than Mexico's or Australia's.

One reason is that inward investment growth has slowed. Most sectors that were opened to foreign ownership 40 years ago such as cars and chemicals - are aiready saturated by foreign companies. Money still flows into restructuring and expansion, but new arrivals have become scarcer. At the same time, Spanish companies, flush with the profits of economic recovery, have been investing abroad as never before.

The net balance is still inward. but not by much. Belatedly but rapidly, Spain is joining the mainstream of large EU countries which are both suppliers and takers of investment. The change began with EU entry 12 years ago when companies, in self-defence, sought new markets to offset competition on their home turi. They have since become more adventurous, and a new comorate culture has grown up.

"In Spain we were kings, but outside Spain we were nothing," says Josep Maria Pujol, Ficosa's chairman, referring to its posi-tion in the 1980s. "We had three alternatives: to stay as we were which was certain death; to sell out, which was not our plan; or to go European

merica has a different meaning in Spanish. It can just as well mean Latin America as the US - and for Spanish companies is increasingly likely to do so.

Spain has in the past three years become the leading Eurosean investor in Latin America. in countries such as Argentina it has been closing the gap on the US, for long the dominant for-The privatised Telefónica

group has spent some \$4bm to secure a leading place in the region's telecommunications. Endesa, Spain's biggest electricity generator, is already more than halfway through a plan to spend more than \$3hn in the region between 1997 and 2001, mainly through its stake in the Chile-based Enersis group. Repsol, the privatised oil company, aims to have invested \$5bn in five years' time, chiefly through

then factories - in France, Portugal and England. It found the climate tough: the components industry smelled an intruder. "We were greeted first with total ignorance, then contempt, then hate." The company realised it needed global presence. It set up an engineering office near Detroit and a manufacturing base in Mexico. "We thought we would face the same difficulties as in

been a spectacular success." In the past two years Ficosa has added plants in Brazil, Argentina and most recently India. "Our objective now is Asia," Mr Pujol says.

The move abroad has been led by the biggest Spanish companies, with high-profile forays into Latin America - Telefónica, the It started by setting up techni- Santander and Bilbao Vizcaya ously obscure companies, almost

cal and marketing bases, and bank groups. Repsol in oil and all based in Spain's northern gas. Endesa and Iberdrola in electricity. But the trend is much wider. Numerous smaller companies have followed them and struck out into other parts of the world, including Spain's neighbours Morocco, Portugal and southern France. "This is a big phenomenon

now," says Jordi Canals, a professor at the IESE graduate school of management in Barcelona. Europe, but we didn't. It has Many Spanish enterprises grew up to cater solely for domestic demand. They went through a triple shock with the oil crisis, EU entry and a 1993 recession. Those that survived, he says, emerged stronger.

in many sectors, such as construction, they have become highly competitive, and now have cashflow to spend, Previ-

regions, are gaining recognition in their sectors as real multina-tionals. "I think this is the most important corporate change there has been in the last 20 years," Mr Canals says. Spain used to have little more

to boast of than the anecdotal example of Chupa Chups, the Catalan-based lollipop company which expanded abroad in the 1980s, and now produces in half a dozen other countries including Russia and China. But there is now a host of others, often family concerns, which have become discreetly international, sometimes still clinging to their secretive habits. For instance, Spain's biggest car parts maker, Antolin-Irausa, based in Burgos, now has operations in 11 countries from Turkey to South Africa, but

Some are relatively tiny. Germans Boada, a producer of tilecutting tools, with 80 employees near Barcelona and consolidated sales of some \$27m, now does more than 60 per cent of its business abroad and has a plant in Portugal, sales subsidiaries in Italy and France and an affiliate

Spanish perfumer Antonio Puig has just bought the glamorous French label Nina Ricci. Indo, an optical company, produces lenses in Tangiers and will soon make frames in China. The industrial co-operatives of Mondragón, deep in the Basque country, bave spread tentacles abroad in activities from coach bodies to comnuter systems. Subsidiaries and joint ventures run hypermarkets in France, make gas boilers and washing machines in Egypt. refrigerators in Morocco and Argentina, and components in the Netherlands and Czech Republic. Campoino, a meat processor, has plants from Russia to the Philippines.

"Globalisation made to mea-sure", as Mr Canals calls it. Spain will continue to lack real global companies. Its top corporations will be at most significant regional players in sectors such as banking, energy and telecommunications, with a European presence through Spain and an important role in Latin America.

anagement resources pose a big challenge, he says, especially for these big outfits taking over Latin American companies that were previously in the state sector or cosy oligopolies, which carry beavy bureaucracies and need rapid turn-

"Any future manager must have international experience," says Javier Herrero, chief executive of Iberdrola, the Spanish power company, which has spent \$1bn on Latin American acquisitions, mostly in Brazil during

Many companies have had difficulty finding qualified people prepared to work abroad. "At the beginning it was practically impossible," says Ficosa's Mr Pujol. Spaniards are notoriously loath to move home for their jobs. But he has noted a change in attitude. "There is a new generation of engineers and such young people who are very much

Voyage to the west

Astra, its Argentine affiliate. about dealing with the region, could never aspire to in Europe Spain's biggest banks, Banco Samander and Banco Billian Viecaya, have more employees in Latin America than Spain. Santander ranks as the region's largest foreign bank by loan volume. Along with Banco Central Hispano they have spent \$6bn since 1995 buying South American and Mexican banks, and now control 20 per cent or more of the market in countries such as Chile,

Venezuela, Peru and Colombia. Of 25 blue-chip shares in the Madrid market's lbex index, 16 are in Latin America. Last year, the region absorbed 43 per cent of Spanish direct foreign invest-

ment Why Spain, and why now? Spanish companies are confident

vibes from the government's

territory's stockmarket

slump.

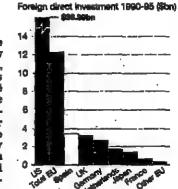
based on cultural and historical affinities. "If we did not speak the same language it would be much more difficult." savs one executive. They have taken advantage of recent deregulation, jumping in abead of more reluctant international competitors, in markets still relatively virgin and in need of capital, where entry has until recently been legally difficult and risky. They regard Latin America as

their natural opportunity. And they are already too late elsewhere."How is a Spanish bank going to go to Hong Kong or Singapore?" asks a senior bank strategist. What can it bring?"

iards can seize positions they

or Asia. The region is now almost as important for Mapfre, the biggest Spanish insurer, as its domestic market, save José Manuel Martinez, chief executive of the Mapfre Corporación holding company. More than 90 per cent of its foreign operations are concentrated there. Already operating in 10 Latin American countries, its move has required little money and a lot of management effort", he says.

The big Spanish companies all put their heads together to deal with some of the difficulties of being newly fledged multinationals - human resources problems. for instance, such as dealing In Latin America, the Span- with returning expatriates or the issue of spouse employment. "In



US, UK or Dutch companies, they have been doing this for 40 years," says Mr Martinez. "For Spanish companies, going international is a new process

OBSERVER

Down on the Feng Shui guru reckons bad waterfront

It may be good news for local property developers - and a smart move according to Feng Shui masters – but not everyone in Hong Kong is pleased with the government's decision to build a swish new headquarters. "A HK\$19bn waste of money." was the verdict of Huang

Chen-ya, a member of the Democratic party; he suspects the administration is bowing to property tycoons by pulling the harbour front site from a planned land auction - hence curbing the future supply of office space.

Despite the apparent haste of

the decision, the government says the move has been under. consideration for some time. Raymond Lo, one of the ... territory's Feng Shui experts, believes the new location may bolster the fortunes of theadministration. With the People's Liberation Army barracks on one side, and the headquarters of a China backed conglomerate on the other, the government's energy will be contained at the new site, he

But Tung Chee hwa, Hong Kong's chief executive, shouldn't hold his breath. The new building is unlikely to be completed before 2003. And the

existing HQ are partly to blame for both inrd (to and the communist-ruled island's "universal vocation". So there

justification. He says the

Royal progress

Strange times in Cuba. First the Pope is invited to kiss the tarmac of the last bastion of umreconstructed communism Now Havana unveils a garden memorial to Princess Diana. The garden, in the old town alongside Havana Bay, was

inaugurated this weekend in the presence of a respectable, but slightly possiled, contingent of British expetriates. Created by Cuben architects, it consists of a stone pillar covered with modern ceramic designs, set in a pood surrounded by a lawn and flower beds. There's a simple plaque, in Spanish, which reads: "To Diana, 1961-1997." British ambassador Philip

Mclean managed to come up with a tenuous historical link between the site and the British community: the garden is close to a church where British forces, which occupied Havana in 1762, held Anglican services. But that doesn't explain why

Cuba has invested in a memorial to a member of the British royal family. It's up to Havana's official historian, Rusebio Leal, to provide a philosophical

Trading places

memorial is in tune with the

All change in Chicago's futures industry as the board of the city's Mercantile Exchange meets this week to decide on a successor to chairman Jack Sandner, Sandner's been in the hot seat for 13 of the past 17 vears: term limits mean he's got to step down, but he does so at a tricky time. Dissatisfaction at the CME is rife and members are divided on how to handle the challenge posed by electronic trading systems:

Still, last week's board elections returned most of the incumbents who were standing for re-election. A dissident group of traders, heavily critical of Sandner, failed to win seats. So the front-runners to take

the chair are both CME insiders: Scott Gordon, vice-chairman since 1995, and Thomas Kloet, treasurer since last year. Whoever wins could be in for a taxing time.

Core problem

■ "For nine years and eight months I believed it was a success," says John Sculley of his 10-year stint in charge of Apple Computer. At an industry shindig in Tel Aviv last week. he at last owned up to his part in Apple's decline.

The former Pepsi-Cola president, who left Apple five years ago, reckons the turning point came in May 1990 when Microsoft introduced a viable version of its Windows operating system and Intel launched the high-powered but cheap 80/386 microprocessor. With the benefit of bindsight, Sculley thinks Apple should have done a deal with Intel to use the new chip instead of sticking to a technically superior, but more

costly, gizmo. But Sculley, who now runs a venture capital operation with his two brothers, believes that Apple, which has just announced a return to profit for the first time in five quarters, can make a comeback now that Steve Jobs, the Apple founder he ousted, is back in charge.

,"Apple is a cult, not a company," he said. "And the guy who created the cult is Steve.

Off target

■ German pharmaceuticals company Hoechst Marion Roussel takes an early lead in the search for 1998's best euphemism for job cuts: the group says it's doing a spot of "targeted realignment".

Financial Jimes

100 years ago

More Excitement In Havana Of the making of Cuban scares there is no end. Wall Street needs iron nerves to stand the successive shocks caused by military riots. threats of despatching the United States ironclad, and so forth. On the top of these little scares comes the unwelcome intimation that Marshal Blanco cannot even play tennis with the Prefect of Havana without "an individual" taking a pot-shot at him with a revolver. The bystanders threatened to lynch the "individual", but he seems to have strolled to prison unhurt.

50 years ago City Firms Ruffled

Many City firms these days are ruffled because of delays in their auditing. It is often the sad lot of accountants to refuse to complete work by the dates which would be most convenient to their clients. This is hardly surprising. The Government's vast nationalised monopolies are busily engaged in enticing accountants away from private enterprise. During the last year one City firm of accountants lost nearly a hundred of their staff, mostly to the National Coal Board.

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EDITOR

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the spotlight

Saddam seeks force to break embargo

Iraq declares a 'holy war' on UN sanctions

Bruce Clark in New York

Iraq yesterday declared a "holy war" on UN sanctions, calling for a 1m-strong volunteer force to mobilise for a struggle aimed at breaking the crippling embargo.

The US said it still hoped diplomacy could break the deadlock with Baghdad over UN weapons inspections but was ready to use military force if other means failed.

Madeleine Albright, US secretary of state, said President Saddam Husseln was "digging a deeper hole for himself" by obstructing UN efforts to monitor and dismantle Iraq's arsenal of deadly weapons. His latest tactics, including

his refusal to accept a US-led inspection team, suggested that the UN was close to making some embarrassing discoveries of hidden stocks of biological and chemical weapons, Mrs Albright said.

iraq called on all able-bodied

Peregrine, the collapsed Asian

investment bank, hopes to find

equity products business by

the end of this week, a senior

The plan under consider-

ation would involve a retreat

from several Asian countries

and the loss of up to half the

group's 1,000 jobs. But Andrew

Jamieson, chief executive of

Peregrine Securities, said: "I

want to keep as much of the

business together as possible

in what is a short space of

five potential buyers - two

Mr Jamieson said at least

executive said yesterday.

on Saturday warned that his country faced a mounting mili-tary threat from the US.

He said Iraq would expel UN weapons inspectors if sanctions were not lifted within six months. Richard Butler, the chief UN arms inspector who will meet Iraqi officials in Baghdad today, denounced this deadline as arbitrary and unrealistic.

Yassin Ramadan, Iraq's vice-president said yesterday: 'We are determined (to launch] a great jihad to lift the sanctions. There is no alternative to this after seven years of patience and co-operation with the United Nations and its

The UN imposed crippling sanctions against Baghdad, including an oil embargo, after Iraq invaded Kuwait in August 1990. Sanctions will remain in force until the UN certifies Iraq has fully dismantled its weapons of mass destruction

Peregrine seeks early sale

diligence investigations. A

sixth bank, believed to be ABN

Amro of the Netherlands, may

be interested in part of the

business. Chinese-backed

banks had also expressed

interest, but none had formally

entered negotiations, he said.

largest underwriters of main-

land issues, notably red chips,

the Hong Kong subsidiaries of

Chinese conglomerates or gov-

Peregrine is seeking an imme-

diate haver includes: its

"greater China" businesses in

Hong Kong, Beijing, Shanghai

Hong Kong; and offices in

The core business for which

ernment agencies.

Peregrine was one of the

of core equities business

citizens to register for "popular training" after Mr Saddam Baghdad accuses the US of Baghdad accuses the US of refusing to lift sanctions until Mr Saddam loses power. Mrs Albright said she stood by ear-

lier statements that Iraq must dismantle its arsenal and demonstrate "peaceful intentions" George Robertson, the UK defence secretary who has ordered a British aircraft carrier to beef up US forces in the Gulf, said Britain still hoped

for a diplomatic solution. "I

think we are likely to hear a

lot of noise," he said, dismiss-ing as "bluster" the latest Iraqi The Iraqi Defence ministry yesterday called "on all Iraqi men and women . . . to enlist in popular training".

 In neighbouring Jordan, stx Iraqis, including a senior diplomat, and two Egyptians were stabbed to death in the capital

would no longer have a physi-

cal presence in countries such

as Thailand, Indonesia, Malay-

sis, the Philippines or South

Korea. Where appropriate,

these countries would be

served from a bub in Singa-

pore, said Mr Jamieson, who

heads the group's sales, research and trading arm.

"I would like to believe that

we could build up franchises

in South Asia relatively

The core operations employ

Peregrine Securities (UK),

viable business in our own

about 500 people, including 105

quickly again," he added.

in London.

operations which are not part sidiary, said on Friday: "We

of the liquidation under way in are a solvent company and a

FT WEATHER GUIDE

Seddam out to foil UN

European 'double alumni's salaries'

Ruronean MRA courses can be good for your wealth. An FT survey* of graduates from Europe's top business schools shows that master of business administration degrees from six of them helped alumni to more than double their salaries in under five years.

The FT survey took a sna shot of the career development of more than 1,000 Europea MBA graduates who had grad-uated from accredited European MBA programmes in 1994. All were asked about their salaries before starting the course, on their first job after graduation and three

Almost all had shown size

ary of almost £70,000. DCD, in Switzerland, had one of the oldest student intakes at 30, and the highest average salary of managers before starting. Students still had an average salary rise of ziumni receive, on average, a

Although the 157 women trailed only marginally in the salaries they were offered on completing their MBA courses the divergence between the salaries doubled over the next three years, Today, the women earn just £48,723 compared with their male peers who

The 50 business schools asked to participate all had programmes accredited by international bodies. There are more than 200 MBA courses available in Europe, most of which are not accredited and which produce vary-

ing results. FT Guide to Rummens MRAs See separate survey

MBAs can

Europeau business schools have always been seen as poor relations to the big US bustness schools - Harvard, Stan-ford or Wharton. But increasingly the top European schools are carving a niche by providing a more internaional perspective than their US counterparts.

able increases in their sala-ries. Alumni from full-time programmes at 10 schools had, on average, increased their salaries by more than 90 per cent over the period.

In terms of percentage sal-ary increases, the full-time programmes which fared best were those with the youngest students, and consequently the lowest salaries, at the outset. At the top of the list was London Business School, where students saw an increase of 174 per cent. Now, on average, they are 83 years old and have an average sal-

salary of more than £85,000.

For women who hope that an MBA might belp them smash through the glass ceiling the news is not good.

earn £59,562.

THE LEX COLUMN Taking stock

Deutsche Telekom

system badly needs. The danger lies in the second element: plans to buy

preference shares. The current con-

troversy in Tokyo over whether this

scheme should cover banks which do not need capital, as well as those

which do, seems back-to-front. The

real concern should not be about

throwing state funds at the few

which do not need help, but to

ensure that those without a viable

future are not propped up. Other-

There is, though, a middle group of banks - which are undercapital-

ised but still probably viable - for

which some form of state cash

injection could make sense to head

off a generalised credit crunch. The

snag is that the scheme for buying

an important trick. Much better to

use the cash to buy the banks' vast

shareholdings in other companies.

As well as shoring up banks' bal-ance sheets, that would cut the

incestuous links between banks and

companies which contributed so

much to the bubble economy and

If that was still insufficient to

bring this middle group back to full

health, the preference share scheme

might have a role to play. But only.

if strict conditions - such as com-

mitments to cutting costs and bet-

ter disclosure - were attached. The

risk, of course, is that the authori-

ties will try to rescue the terminally

ill as well as the merely sick. If so,

it could turn out to be one of

Japan's costlissi banking mistakes.

In advance of this year's

onslaught of competition, Denische

Telekom's boss promised a "sur-

prise every month". Ron Sommer

Deutsche Telekom

its aubsequent bust.

erence shares in banks misses

will linger.

relative to the Dax stdex

The speciacular stock market returns of recent years have had an embarrassing side effect: even Wall Street's finest have found it difficult to beat the humble index trackers. This year should prove different. Asian turmoil, dollar strength and a slowing domestic economy will constrain corporate earnings growth and thus stock market returns. Most equity strategists expect the S&P Composite's total return to fall from 33 per cent in 1997 to 10-15 per cent; even that looks hard to justify on fundamentals, but at least it should give stock pickers a chance to show their mettle.

Against such a tough background, defensive stocks, such as harmaceuticals and branded goods companies, should do relatively well. Unfortunately, their valuations already reflect this. The big drug companies, for example, are trading at a 40 per cent premium to the market on 1998 estimates. Financials, last year's best-performng sector, should still benefit from onsolidation and cost-cutting. But international banks have exposure to the Far East, while the domestic egionals suffer from poor topline growth and could prove vulnerable to rising bad debts as the economy

Perhaps the best opportunities, therefore, lie in the technology sec-tor. Industry fundamentals, including demand for personal computers and mobile phones, remain strong, yet even sound companies have on tarred with the Asian brush. But the overriding message is that decent equity returns will probably be hard to come by in 1998.

Japanese banks

For months Japan has tried - and failed - to find solutions to its banking problems. This week it will have another stab. A bill will be presented to parliament that would use Y30,000bn of public funds to support the financial sector, including up to Y13,000bn to purchase banks' preferred stocks and subordinated bonds.

These recapitalisation plans are provoking fierce debate, and rightly so. Handled correctly, they might help resolve the banking problem. But there is a risk that they will prolong the pain. Part of the plan offering banks a capital injection to smooth wind-down - is sensible enough. The scheme could provide a carrot to bring about the mergers

has outdone himself - surprises are running at about one a week. Unfortunately, all are nasty. First came the row over plans to charge customers who want to switch their ong-distance calls through rivals. Even if DT has a point, it has lost the public relations battle. Then came the abrupt departure of its international director. Now it has announced poor results - in part because of high losses in its international operations but also because of high costs in its core domestic business. The worry is that DT will not be terribly good at either defending its home patch or build-ing profit streams elsewhere. Mr commer is trying to get a grip on this vast bureaucracy, but he is a long way from taming it.

Allied Domeco

In the tongue-loosened world of spirits, bid talk now focuses on Allied Domecq. It has, of course, invited this by setting out its stall to play a role in further industry consolidation, and by thinking aloud about a demerger. But mention demerger and the words "for sale" seem to appear over constitu-ent parts. So it would be no surprise the root of Japan's banking problem. to see a bid for Allied's spirits division. As this business is the second largest in global spirits, behind Diageo, the bidder would be smaller and almost certainly from the family-controlled ranks that dominate the league outside the two UK quoted entities.

How much could such a company afford without a big equity issue? Last year Allied's spirits division had £414m trading profits, and a better operating cash position. Assuming some synergies and continuing low interest rates outside the UK, from where a bid would come, this would allow a highly leveraged offer of over £4bn Allied's enterprise value is nearly 27bn, implying a residual £2.5bn for its retailing side which looks low. Putting that business on a similar multiple to Bass and Whitbread suggests more than £3bn. So if there is a £4bn-plus bid around. shareholders will want to know.

At the very least, such a prospect would force Allied to spell out the benefits of any non-premium tie-up between its spirits business and that of Seagram, its nearest rival bination would produce the most synergies, doubts might linger over how and when shareholders would

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STOTIST CHES LAPARAGE

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ies in this issue

EU to end dispute with US over tallow

Continued from Page 1

manufacturing process. The decision does not directly affect a separate EU initiative to ban a wider range of animal products including ingredients in pharmaceuticals.

But US officials hoped it indicated a less restrictive approach to the use of agro-de-

"For cosmetics and soaps this should resolve the problem, while for other products the use of risk materials (from animals) remains to be discussed," said a European Commission official. "In this case, there will be no BSE risk."

The Commission argues that the use of tallow derivatives in soap and cosmetics is a special case, as it will insist on treatment of tallow to eliminate the risk of passing on BSE.

The Commission is likely to give final approval to the proposals by mid-February.

Ray Calamaro, an advocate for the North American Rendering industry, said: "The Commission seems to have put in place a solution that will both protect neople from BSE and address the concerns of

HIGH

the industry." Apart from the tallow derivatives contained in soap and cosmetics, the US exports some \$120m of raw tallow to the EU a year.

Last year several attempts to allow the use of treated tallow derivatives in soaps and cosmetics failed because of complications with the Commission's other initiatives against risk materials.

Commission officials said that if necessary other legislation would now be amended to ensure the use of tallow products in scap and cosmetica would be allowed.



Europe today

There will be snow across much of Scandinavia except in the far south, which will have rain, and in a few northerly areas, which will remain The Low Countries, Germany,

Austria, Switzerland and France will turn colder from the north. Showers will merge into longer spells of rain at times, turning wintry in the north late in the day. Northern Spain will be mainly cloudy with rain in places. Southern and central Spain and Portugal will

have plenty of sunshine. Heavy rain will move slowly south across Italy. There will be showers

Five-day forecast The central and western

Mediterranean will be unsettled with rain in most parts, heavy and prolonged at times. Eastern and northern Europe will be cold with snow in places. North-west Europe will become milder later in the wi as rain screads from the west.

TODAY'S TEMPERATURES

	Maximum	Belling
	Celsius	Belfast
Abu Dhuni	Sun 24	Belgrade
Acces	Sun 32	Berlin
Alglers	Fair 21	Bermude
Amsterdem	Shower 6	Bogota
Athens	Cloudy 14	Bombey
Atlanta	Fair 8	Innesda
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Barcelona	Shower 18	Carross

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New York
Nico
Nicoela
Calo
Paris
Ferth

Cloudy 15
Cloudy 20
Fair 18
Sieet 5
Fair 31
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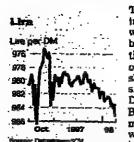
COMPANIES & MARKETS

Monday January 19 1998 45 THE FINANCIAL TIMES LIMITED 1998

Week 4 BRITISH VITA PLC

INSIDE

Italian lira back in the spotlight



The Italian lira will be in the spotlight this week after a conflict between members of the European Union over Italy's membership of the European single currency. Klaus-Dieter Kuchbacher, Bundesbank council member, said there vere reasons to be critical of Italy's prospects

of joining European economic and monetary union in the first wave. Currencies, Page 21

Peugeat-Citroën set to pool work Jean-Martin Folz, president of Peugeot-Citroen, is expected soon to announce a reorganisation. One of the main thrusts is likely to be to increase the extent the French carmaker's factories specialise by platform rather than by marque, leading to a reduction in costs. Page 19

INTERNATIONAL EQUITIES Banks' privatisation fees tumble

Fees earned by investment banks for working on Europe's privatisation deals are falling. The sale of the final tranche of shares in Argentaria. the Spanish banking group, carries a fee of 1.75 per cent of gross proceeds to be shared among all the banks in the syndicate. Page 20

COMMODITIES

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US live cattle futures hit two-week high US livestock markets began 1998 with large supplies and flagging demand from packers and retailers, and the Asian crisis threatening exports. But last week ended on a happier note, with live cattle futures hitting a two-week high on the Chicago Mercantile Exchange, Page 21

EMERGING MARKETS

Asian M&A market likely to expand The economic nationalism that kept corporate Asia closed to outsiders is being abandoned because corporate demand for capital is outstripping supply. The Asian mergers and acquisitions market is expected to expand. Page 22

MARKETS THIS WEEK

The strength of the UK market was illustrated on Friday when the FTSE 100 index rose 97.3 to 5,263.1. The market starts the week 67 off its all-time closing high. Page 21

Investors in Tokyo will be looking for signs that the government is moving towards adopting additional stimulus measures before the end of the fiscal year. Last week closed with a rally in Tokyo spurred by comments from government officials that measures were in store. Page 21

German shares are expected to remain fairly resilient to the uncertainty over Asia, with conset by signs that solutions are being implemented. The DAX index gained I.8 per cent on Friday to close at 4,216.24. Page 21

New York Today US equity and bond markets are closed for a public holiday, but tomorrow could be hectic as events unfold in Asia and the US quar-

terly earnings season gets under way. Page 21

FT GUIDE TO THE WEEK - full listings Page 32



EURO-ARCTIC TALKS Euro-Arctic Council of foreign ministers from the four Nordic countries and Russia meets today in Lulea, Sweden, for two days of talks on trade and environmental issues

in the region. It is the council's fifth meeting. COHEN TO VISIT CHINA, JAPAN AND KOREA William Cohen, US defence secretary, leaves China for Japan tomorrow for a meeting with Ryutaro Hashimoto, Japan's prime minister. He will travel to Korea on Wednesday. POPE SET FOR FIRST TOUR OF CUBA On Wednesday, Pope John Paul II starts a fiveday tour of Cuba, his first visit to the island.

Companies in this issue

16 General Cable 12 Grand Metropolitan 18 Grosv'r Estate Holds Ak Cinruida Air France Affled Domecq 317 Guinness Häagen-Dazs Hyundai Motorii Andersen Consulting Inmarsat Balcie & Bros ... Lufthansa skin Robbins Monegon Nestledown Nestlé New Look Peramount Burton Group CLT-Ufa Pearson
Pegasus Gold
Penguin
Peregrine Cauval Industries Columbia Continental Siesp Peugeot-Citroën Coopers & Lybrand Reed Elsevier Royal Dutch/Shell SAS Dairy Crusen Sidanco Flet United Airlines Floora International Universal

http://www.FT.com 23 Lindon recent lesues 8 Managed funds service . 26-28 __ 23 20 Money markets FT Guide to currencies. 21 New Intil bond issues

Big Russian oil groups to merge Considers

New producer will be in world top three

Julin Thombill in Mescow

and Robert Corzine in London

Russia's leading oil companies, will today announce a merger creating one of the world's top three oil producers.

The emergence of a new company, to be called Yuksi, will dramatically reshape Russia's corporate and political landscape. It will account for crude oil production, pushing Lukoil, previously Russia's

The merger, a first among eading Russian companies, is also expected to open the way for a possible strategic partnerpany, probably along similar

from investment banking the

Mr Harrison is to join DMG

in March as vice chairman in

charge of global corporate

business for the Deutsche

He will have a significant

role in developing and run-

ning the new wholesale bank that Deutsche plans to create

by combining DMG and its own corporate banking busi-

Mr Harrison quit BZW

abruptly in October after Bar-

clays changed course and

decided it was not willing to

make the investment neces

nete on a global acale.

sse First Boston or closed.

nate the world market.

Barciavs experience.

ment board.

Dobson said.

worth \$270bn.

banking business."

Philipp are expected to remain

in charge of global markets

DMG approached Mr Har-

rison soon after his departure

from BZW. He had also been

sounded out by other conti-

nental European banks, as

He also received offers of

well as by the US.

and equities, respectively.

stand

Mr Harrison admitted yes-

terday he had been concerned

about the risk of repeating the

Deutsche Bank had given

him plenty of time and oppor-

tunity to address this issue,

Mr Harrison said. He had met

each of the 10 members of the

bank's Vorstand, or manage-

His arrival and the Immi

mean new jobs for several

their roles as this process

Carter McClelland and Mau-

McClelland will return to New

wav Barclavs had.

Bank subsidiary.

last year by Royal Dutch/Shell and Gazprom and British Petroleum and Sidanco. Bank-ers said Yukos executives had met several US oil companies recently, as well as Elf Aquitaine of France.
The Yukos/Sibneft tie-up

roughly 22 per cent of Russia's to win control of Rosneft, the oil and gas sectors. largest Russian oil company still to be privatised. Rosneft is biggest oil company, out of the due to go on sale later this utives hope they can achieve top position in the industry. year and is expected to prosignificant savings. vuke a flerce contest between Russia's largest companies.

The creation of Yuksi will also formally scal the partner-

Yukos and Sibneft, two of lines to deals announced late ons: Mikhail Khodorkovsky, oil companies," said Mr Khochairman of Yukos, and Boris Berezovsky, a leading Russian businessman and financier who has close links to Sibneft.

> supported by Victor Chernomyrdin, the Russian prime minister, who draws much of will reinforce their joint effort his political support from the Although the two companies are financially weak, exec-

The deal has been strongly

The transaction reflects a trend toward consolidation in harrels. the [Russian oil] industry, creating a smaller number of mean a continuation of the

they are estimated at 2.6bn The creation of Yuksi will

form the same job in Yukst.

dorkovsky.

larger holding companies. However, as it announces its

merger today. Yuksi wili face pressure from western minor-Mr Khodorkovsky will be ity shareholders who feel they president of Yuksi. His chief have been given a raw deal. A deputy will be Yevgeny Shviminority investor in Tomdler, currently chief financial skneft, a subsidiary of Eastern officer of Sibneft, who will per-Oil, has summoned an extraordinary shareholders' meet-

As of January 1, Yukos had proven reserves of 9.75bn barrels of oil and Sibneft had proven reserves of 4.1bn barrels. The reserves of Eastern Oil, recently bought by Yukos, have not yet been audited, but

considers shares in oil-producing subsidiaries are consolidated into options for

drinks arm Consumer Industries Editor Allied Domecq has received an approach from at least one hidder interested in buying its ing today. drinks business, maker of Teacher's and Ballantine's

In a letter to Tomskneft's board, Acirota, a US investment company, wrote it was Russia's big oil companies had "systematically looted the progroup has been in talks with the announcement in May of duction subsidiaries of their companies through transfer the £23bn (\$37.5bn) merger of pricing schemes, asset sales at below market prices and other ship with a western oil com- ship between two of Russia's better capitalised and more process throughout the Rus- questionable transactions with

Goldman Sachs, the US investment bank that is advising on the options, favours a joint venture pooling Alhed Domeco's drinks interests in a joint venture with Seagram. the Canadian drinks and entertainment group.

scotch whisky, Beefeater gin

The spirits and retailing

several drinks companies since

Guinness and Grand Metropol-

itan to form Diageo, the

world's largest drinks com-

and Sauza tequila.

But Allied Domecy has not ruled out a demerger of the two halves of its business if that would create greater value for shareholders.

Diageo will have more than twice the market share of Allied Domecq, a fuil range of spirita brands and an almost seamless global distribution network. It is also expected to release more than £200m in efficiency savings through the and the distribution networks.

The Diageo merger prompted a wave of speculation about a similar tie-up between Allied and the other large global drinks companies. These include Bacardi, the US rum-maker that owns Martini, JBB, which makes Jim Beam bourbon, Pernod Ricard, the French group, Suntory of Japan and Brown Foreman. maker of Jack Daniel's.

Allied yesterday refused to comment on the approach, or on a newspaper report that a deal with Seagram was immi-

But a joint venture with Seagram would come closest to giving a range of brands that could compete with Diageo and make equivalent savings. Seagram's portiolio include Chivas Regal luxury scotch, Absolut vodka and Mumm champagne, but lacks a premium scotch like Ballantine's. An early decision would also allow the two to avoid a bidding war for Dewar's, the number one scotch in the US. which Diageo must sell by

June to satisfy the regulators.

Lex, Page 16

most powerful financial bar- globally competitive Russian slap oil industry whereby affiliates and insiders". DMG's Harrison stresses investment B.H ORASTRILER banking By Clay Harris, Banking Correspondent Bill Harrison, the former BZW chief executive who is to take a senior role at Deutsche Morgan Grenfell, said yesterday he was "absolutely convinced" that his new German employer would not pull back

Continental shift; the Jordan motor racing team, including top driver Ralf Schumacher (above), is to be sponsored by UK high street bank National Westminster. It plans to promote its card services operations in the UK and continental Europe. The rival HSBC banking group, principal sponsor of the Stewart team, is using Formula One to promote global brand awareness

Singapore invests in Grosvenor

The Singapore government has estate. taken a 25 per cent stake in European property business.

The move, by the governsary to enable BZW to comment's highly secretive investment arm, will help Grosvenor BZW's corporate advisory Estate Holdings - the company owned by the Duke and and equities businesses have since been sold to Credit Suihis family - in its attempts to extend its overseas invest-Despite its size as one of

Europe's largest banks, Deutand private concerns have sche has not been immune to speculation about its ability been active investors in UK and willingness to compete with the large US-based property, but this is understood to be the first significant investment banks that domi-

move by government bodies into Continental European real

Paris Properties Private, a most prestigious addresses in ment of Singapore Investment raise finance to expand on the taken the stake in Grosvenor First European Property Investments (GFEPI), a company formed by Grosvenor for its continental property invest-

GIC and its affiliate, the Cen-The Singapore government trai Provident Fund, have sigand unlisted equities, bonds and properties around the

Corporation Private (GIC), has Continent, Already, nearly 10 per cent of its portfolio is in continental Europe, A further 1 per cent is in Asia, and roughly 5 per cent is in the US and Australia.

announced the sale of a portfo-

lio of properties at some of the

Grosvenor said it had been investing in continental Europe since summer 1996. and its GFEPI vehicle now holds stakes in four companies, it owns 25 per cent of Sonae Imobiliaria SGPS, Portu-

ping centres, as well as a 9.2 per cent interest in Societe Fonciere Lyonnaise, France's the Duke of Westminster's business affiliated to Govern- central London, mostly to fourth largest listed property company. It also holds a stake in

In November, Grosvenor gal's leading developer of shop-

Hermanos Revilla SA, owner of a high-quality office portfolio in Madrid, and has formed a joint venture with Exor SA to expand its boldings of prime office properties in main European business centres.

Grosvenor has moved to expand its own investment activities in south-east Asia, forming Grosvenor Shaw Asset Management in Hong Kong.

Arthur Andersen seeks more time to meet charges

By Jim Kelly in New York nent re-organisation will

other senior executives at Arthur Andersen will tomorrow try to gain more time in the bitter battle with Michael Dobson, who will not be replaced as DMG's chief its sister firm Andersen Consulting - which is trying to executive, said yesterday: "A split the world's largest profesnumber of people are evolving sional services organisation in

In what will be seen as spoilrice Thompson, currently joint ing tactics by Andersen Conheads of investment banking. sulting, the company will break its silence about allegawill be moved to new jobs. Mr tions of breach of contract. It York and be responsible for will lodge documents with the Americas. Mr Thompson international arbitrators in will take a senior role involv-Paris seeking more time to ing contact with clients. Mr respond to charges that it has been unfairly competing with Mr Dobson himself will Andersen Consulting.

remain on the Vorstand, of Late last year, Andersen which he is the only non-Ger-Consulting took its long-runman member. He may take ning \$11bn dispute about comresponsibility for the competition and governance to the International Chambers of bined asset management businesses of Deutsche and DMG, Commerce (ICC) seeking conwhich together oversee assets tractual freedom from the long-established Arthur Ander-With both regional and

functional responsibility on Arthur Andersen will tomorthe Vorstand, Mr Dobson said: "I clearly wouldn't be walking simply be heard by arbitrators at the Paris-based ICC, arguing away from the investment that many of its member firms Mr Harrison will report to are still contractually bound by long-established Swiss arbi-Ronaldo Schmitz on the Vortration laws. Moon Mitchell and Michael

the ICC will initially come from each of more than 100 member firms worldwide, rather than in a consolidated form from Arthur Andersen.

Arthur Andersen had 30 days to respond to the claim and it will meet its deadlines. but it is understood that it will backing for his own boutique | argue that Andersen Consultcorporate advisory business. ing had been preparing its

treatment.

That raises the prospect of a prolonged legal dispute before arbitration can begin. While Arthur Andersen is prepared to go to arbitration, it

is understood that it wants these legal points cleared first - particularly those regarding the complex global structure of the firm. "We will eventually rebut their claim - and lodge counter-allegations and a counter-claim," said a partner in the US.

Arthur Andersen says it is an organisation of separate national firms collected together on a global basis to market services. Andersen Consulting has

been able to react to the crisis more quickly because its firms - which do not provide services such as audit and so are largely unregulated - can coordinate tactics more easily. The claim may dissolve into

more than 100 separate row dispute that the claim can actions. Andersen Consulting is likely to resist fiercely that route to arbitration. It wants a single claim heard by the ICC, so that it can achieve its freedom quickly.

Andersen Consulting's claim Its response to Andersen is believed to concentrate on Consulting's 50-page claim to alleged breach of contract in the UK and US firms. Arthur Andersen may be seeking to split the claim and to frustrate Andersen Consulting's ambitions to be free of all contractual links with its sister firms. It may also eventually dispute the legality of the San Francisco meeting.

EC concern, Page 19

This announcement appears as a matter of record only

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> Managers Banque Bruxelles Lambert S.A. Landesbank Schleswig-Holstein The Sumitomo Bank, Limited

Participants Bank Handlowy w. Warszawie S.A. **Byblos Bank** Central-European International Bank Ltd Daewoo Bank (Hungary) Ltd Enskilda Debt Capital Markets Hungarian Foreign Trade Bank Polish Development Bank

COMMERZBANK SE

ING BARINGS

November 1997

Privatisation plan by satellite operators | Shell explains

Inmarsat and Eutelsat, two of the world's higgest satellite operators, are considering an initial public offering next year after abandoning their co-operative ownership and restructuring as private

bined valuations on the highly profitable businesses would most likely be in

their shareholders. These driven by television and are too slow and bureau- encouraged by the recent members, is the most biggest telecommunications the internet. groups, such as British Tele communications, which has a 22 per cent stake in Eutelsat, and an 8 per cent share of Inmarsat. Comsat of the US is Inmarsat's largest shareholder, with 23 per

At the same time, commercial satellite operators have emerged and have begun to eat into the market dominance enjoyed by the co-operative organisations, Inmarsat, Eutelsat and Intelsat.

These organisations were to raise funds to expand said Geoff King, satellite their satellite coverage. A strategy manager for BT and huge increase in demand for chairman of the Inmarsat result in large returns for satellite services has been shareholder council. "They

multimedia services, such as cratic to compete with private enterprise.

Privatisation would allow them to raise debt and bring in shareholders from outside the industry to help fund growing capital demands. Eutelsat, for example, plans to launch five satellites this year - doubling its capacity at a cost of \$750m.

Public listings would allow investors to realise the value of their holdings. Shareholdvaluations given to new sat- advanced towards its reorellite ventures on the US Nasdaq market.

Pressure for change has also come from rival commercial satellite operators, which view the semi-diplomatic status enjoyed by the co-operatives - which means that among other benefits they do not pay taxes - as an anomaly as the global telecoms market moves towards liberalisation Inmarsat, which has 81

ganisation with a share holder meeting due in the said was confident the Inmarsat reported revenue of \$363m in 1996. Eutelsat's 46 members meet in May. It made profits of \$140m or sales of \$415m in 1997.

If approved, both decisions would have to be ratified by the shareholders' national

policy changes to investors He disagreed with the Royal Dutch/Shell has held its first meeting with institutional shareholders to explain controversial new policies on environmental

Mark Moody-Stuart, chairman of Shell Transport and Trading, the UK arm of the Angle-Dutch group, said the good attendance at a recent London meeting was proof that institutions were keen to understand the non-financial side of Shell's business. The company has been heavily criticised in recent years over its environmental

and human rights record. Last year it announced changes to the way it conducts its business, and for the first time made explicit its commitment to promote. basic human rights in the muntries where it operates. Shell denied that the meeting with institutions was intended to head off another attempt by pressure groups

to force the company into adopting stricter environmental and social policies. Last year Pirc, the UK corporate governance pressure group, received the backing of several institutional investors for a resolution calling on Shell to adopt tougher policies and more stringent reporting practices.

Mr Moody-Stuart said he was "reasonably relaxed" another critical resolution others say you must be out

argument that institutional shareholders were not interested in issues such as social responsibility. He also dismissed suggestions that an emphasis on such issues could impair Shell's financial performance. "I don't think there is a fundamental conflict between financial performance and 'soft' issues," he said, "Many shareholders want outstanding financial returns in a way they can feel proud of or comfortable with

state be

Although he had worried that the presentation to investors would wind up being "two and a half hours of motherhood and good intentions," he was satisfied that it had sparked off lengthy questioning and

progress in preparing its first report on the financial environment and social aspects of its global operations. The company has asked a number of NGOs what they want to see in the report, and although many are "sceptical to suspicious about the outcome; at least they are taking part in the process," said Mr Moody-

He said Shell's decision to involve itself more deeply in environmental and social issues had been greeted with dismay by other large international companies: "The

Pearson looks at **Future auction**

Pearson, the media company that owns the Financial ble auction of Future Publishing, the consumer magazine division, which might

capitalists known to be interested in the business. It said yesterday that it had cast an eye over Future before Christmas, and would be interested in looking at it

would be the biggest issue," zines including Media Week

and UK Press Gazetta.

Football and Classic CD. Pearson bought the pub-

834m last October after the

dino, Pearson's chief executive, said that despite gearing of 470 per cent she was "comfortable" with the level Pearson is also understood

for sale

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Asia-Pacific countries attract bargain hunters

The value of cross-border acquisitions in Asia-Pacific countries fell by 50 per cent in the second half of 1997. but western companies actively engaged in bargainhunting in the region, according to two reports

Although the collapse of some local currencies magnified the decline in dollar terms, the number of deals also fell in most Asian countries, according to an annual survey of global takeover activity by KPMG, the accountancy firm.

The biggest decline was in Japan, with inward corporate investment sliding to \$800m (£490m) against

Malaysia, Singapore, Thailand, Vietnam and China also saw declines in inward corporate acquisitions from the previous year. South Korea, Indonesia and Hong Kong achieved increases on 1996, but shared in the second-half slump.

A separate report by Robert Fleming, the UK investment bank reveals that western companies kept buying in Asia, while intra-regional deals fell sharply. The value of deals by western compa- ing to KPMG. It includes

Hot zones for inward

Country	Value (\$bn)
1, US	59.82
2. UK	53.04
Germany	19.83
4. Netherlands	17.55
5. France	12.78
6. Brazil	12.05
7. Çanada	11.55
8. Australia	11.39
9. Chine	10.54
10. Italy	8.92

the second half to \$6.2bn, compared with \$5.7bn in the first six months.

Laurence Heyworth, emerging markets strategist at Flemings, said western managers had seen falling Asian equity prices as a once in a lifetime opportunity". He added: "In many areas, such as hotels and cement, assets are actually trading at a discount to their replacement cost value."

In 1997 overall, the value of cross-border deals into the Asia-Pacific region fell by 22 per cent to \$47.5bn, against a worldwide rise of 21 per cent to a record \$332.6bn, accordnies actually increased in mergers, acquisitions and

eign companies.

The UK closed the gap on the US as the most attractive destination for such crossborder deals. Acquisitions of UK businesses by foreign companies reached a record \$53bn in 1997, compared with \$59.8bn spent in the US. They had also ranked first and second in 1996, when the

US attracted \$70.6bn investment and the UK \$39.2bn. KPMG said the buying spree in the UK was part of a surge in activity in Europe ahead of economic and mon-

Stephen Barrett, head of M&A at KPMG Corporate Finance in London, said: "We expect Britain to remain the most powerful magnet in Europe for the seeable future. There is every chance that, despite its much smaller economy, it will overtake the US this year as the world's favourite country for international corporate acquirers."

Flemings said total cross border M&A activity into emerging markets more than doubled to \$67bn in 1997. Of Latin America accounted for \$29bn, emerging Europe saw deals worth \$20bn, while Asia lagged behind with about \$18bn.



French bedmaker nestles down

Cauval Industries, the French upholstery and furniture group listed on the over-the-counter market in Paris, will today announce the acquisition of its third UK bedding company, writes David Blackwell. It is paying cash for Nestledown, a private company based in Kent. The price will not be disclosed, but is understood to be well below Nestledown's annual turnover of £20m. Gilles Silberman of Cauval said yesterday that the acquisition would bring the group "closer to its stated goal of establishing a leading presence within the European bed market."

Cauval, which has total annual sales of about £200m, is making the purchase through Continental Sleep Holdings, its UK company which already owns Sleepeezee and Cumfilms Beds. The deal will lift CSH's total sales to more than 250m a year, putting it third in the UK bed market behind Silentnight and Airsprung, both listed on the stock exchange.

Gerald Raingold, deputy chairman of Dawnay Day, Cauval's UK advisers, said further bolt-on acquisitions would be considered as consolidation continued in the market. Another option under consideration was the flotation of the UK bedding business in the

Air France heads for partial sell-off | Happy winter's tale

Vincent Boland in London

The French government has and if previous practice is set the ball rolling for the partial privatisation of Air France. Up to 50 investment banks last week submitted initial presentations for the roles of adviser to the government and lead manager on the deal.

This could result in up to 30 per cent of the carrier's capital being sold in what is set to be one of the flagship European privatisations of

"All the big names were there. This is going to be one of the most publicised deals of the year if it happens," such as Delta Air Lines and

go to a single bank, however, upheld a French bank will have a leading role. Ministers have given clear-

ance for the sale of a minority stake in the group, which recently gave new evidence of its financial turnround by unveiling tripled interim profits of FFr1.76bn (\$280m). The company plans to

offer about 20 per cent of its capital to staff, leaving whether it will seek to exchange shareholdings with other international carriers,

The mandate is unlikely to US, with which it has part- to seeing its core public ser nership agreements. Patrice Durand, the carri- private hands. Already, the

er's vice-president, finance, recently indicated it might take advantage of the planned partial privatisation to increase capital. The deal is not expected before June.

The Socialist-led government of Lionel Jospin has that an audit to study the appeared less hesitant about sanctioning disposals of public assets since last autumn's successful sale of a minority about 30 per cent for other stake in France Telecom, the buyers. It remains uncertain former monopoly operator. in the largest French initial

The Air France deal may. nonetheless, stoke up contro- \$12bn.

vices pass even partly into SNPL pilots' union has demanded the withdrawal of proposals to offer about half the shares earmarked for employees to pilots in return

for a 15 per cent pay cut. One banker said last week fessibility of the shares-forsalary cuts proposal would have to be completed by the end of May, although the flotation is not thought to be dependent on the stake being sold to staff.

Air France's book value is understood to be about

for New Look shops

New Look, the women's wear chain of 430 shops which is one of the UK's fastest-growing retailers. boosted like-for-like sales by 10 per cent in the seven weeks to January 10.

Total sales were 21 per cent higher than previously, rose 7.6 per cent in the 18 including sales from more than 40 shops opened since the end of March.

Tony Collyer, finance director, said yesterday that Christmas trading had been spread over a longer period, but had stayed "fairly healthy" in the new year.

The group still intended to float in the next two years, but there was no timetable. The figures follow statements earlier this month by Burton Group, the UK's second largest clothing retailer, and Monsoon, the fashion retailer that is coming to the market. Burton's total sales weeks to January 3.

Monsoon, amounting a 5 per cent rise in first-half sales in its draft prospectus. reported strong like-for-like improvements in the last few days before Christmas, with the trend continuing in

said the group, which owns to be close to buying for 33 per cent of Quantum, the 230m Reed Elsevier's chil-publisher of business maga- dren's books division. which

that it did not comment on market speculation. Future Publishing's magament. Titles include Total

has invested a further 58m. A sale would help to reduce group debt, which rose to American, the US television production company. At the time Marjorie Scar-

"But these things are of interest cover, but emphagoing for very high prices at sised that debt could be the moment - and price reduced through asset sales. publishes Thomas the Tank Engine. The acquisition Pearson said yesterday would make Penguin which already has Puffin, Ladybird and Frederick Warne – the leading UK pub-

Invest in Romanial

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for ale by direct negotiation a 63% of the issued share capital of CAHIRO SA Scaleni.

- C) Registered Office: Boldești-Scăieni, Șos. Ploiești-Vălenii de Munte km.9, jud Prahova. Fiscal Code: 1317849
- Registration no. at Commercial Register Office: J29/185/1991.
- Issued stock capital, according to the latest records at the Commercial Registrer Office: 20,125,225 thousand, ROL. ☐ Turnover in 1996:10,160,109 thousand, ROL.
 ☐ Net profit in 1996: 72,614 thousand, ROL.
- Main scope of activity: production and marketing of cardboard, raw cardboard, paper packing.

Total number of shares at a nominal value of 25,000 ROL each: 805,009. The share ownership structure is as follows:

70.00 O State Ownership Fund O Financial Investment Company Banat-Crisana 26.98 O Share owners through mass privatization

The offer for the 63% issued share capital, i.e. 507,156 shares is 4,581,713 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucaresti, Str. STAVROPOLEOS, nr.6, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 brs., at a price of L100 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-0000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for CAHIRO SA Sciieni are included in the company PRESENTATION FILE. THE PRESENTATION FILE will be released on presentation of: ☐ a copy of the payment order for the presentation file;
☐ identity card (or passport for foreign cinizens);
☐ certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of a participation i.e. 1,046,418 thousand ROL or 137,452 USD as follows: Romanian critizens or legal entities may pay cash to the State Ownership Fund, to account no. 4001680900313 at the Romanian Bunk for Development - Bucharest Branch (BRD-SMB): foreign cirizens or legal entities may pay cash, to the State Ownership Fund, to account no. 5314-0000024230007, in USD, at the Romanian Bunk for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) to 457/1997 article 26, published in "Monitorul oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed envelope, prior to 16 Feb. 1998, 16.00 lins. (from deadline for submission).

the winter sale. zines cover computing, lisher of children's books. Invest in Romania!

Advertising release for sale of shares by direct negotiation

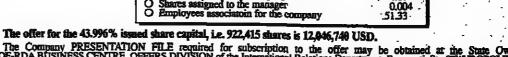
The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 43.996% of the issued share capital of GENERAL TURBO SA.

- Registered Office: București, Str. Berceni, nr. 104, sector 4. Fiscal Code: 2603490

Fiscal Code: 2603490
Registration no. at Commercial Register Office: 140/26498/1992.
Issued stock capital, according to the latest records
at the Commercial Register Office: 52.418.600 thousand, ROL.
Turgover in 1996: 39.879.431 thousand, ROL.
Net profit in 1996: 5.291.123 thousand, ROL.
Main scope of activity: a) design,manufacture and marketing of the following steam turbines, electric generators, electric motors, electric equipment, pumps for power generation purposes, turbine-drive compressors, turbine-drive aur-blow, other mainstrial products, spare parts for the before mentioned in the industry of machine manufacturing; b) on side repairs at the Client, after the equipment delivery.

Total number of shares at a nominal value of 25,000 ROL each: 2,096,744. The share ownership structure is as follows:

O State Ownership Fund
O Financial Investment Company Muntenia
O Shares assigned to the manager
O Employees association for the company



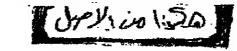
The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucuresti, Str. STAVROPOLEOS, nr.6, phose 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 mr., at a price of 1,400 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and

This sum has to be transfered in advance to the State Ownership Fund accounts: no. 5314-0000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors. The minimal environmental conditions accepted for GENERAL TURBO SA are included in the company PRESENTATION FILE.

> THE PRESENTATION FILE will be released on presentation of: a copy of the payment order for the presentation file;
> identity card (or passport for foreign critizens);
> certificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seiler's disposal a gracultes of a participation i.e. 2,700,251 thousand ROL or 361,431 USD as follows: Romanian critzens or legal entities may pay cash to the State Ownership Fund, to account no. 400,680900313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign catizens or legal entities may pay cash, to the State Ownership Fund, to account no. 5314-00000024230607, in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitorul oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a sealed cuvelope, prior to 30 Jan. 1998, 16.09 hrs. (from deadline for submission).





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COMPANIES AND FINANCE

State boost for Crédit Foncier

By Andrew Jack in Paris

Crédit Foncier de France, the state-owned specialist property lender, is to receive a financial boost from the government just as it enters negotiations for a partnership with potential investors.

The French government on Friday announced reforms to the PAP, a housing loan for those on low incomes, which provides a large proportion of Crédit Foncier's business. estimated to cost FFr1bn to FFr2bn (\$163m to \$327m) over 10 years.

The changes come just ahead of the opening of the "data room" from today organised by Deutsche Morgan Grenfell. Crédit Foncier's banking in an effort to avoid high interest

willing to recapitalise the institution and keep it alive.

Dominique Strauss-Kahn, economics, finance and industry minister, unvelled reductions in the interest rate on the PAPs, from more than 10 per cent to 7 per cent, to come into effect in the next few weeks.

He stressed that the measures were designed to help ease the financial difficulties of an estimated 500,000 clients on low incomes who were still paying high interest rates on their home loans.

The action should also reduce pressure from existing holders of PAPs to seek early reimbursement

adviser, in an effort to find a partner charges in the light of lower rates available from commercial banks.

The reimbursements were eating into the commissions paid by the state and reducing the loan portfolios of PAPs held by two institutions: Crédit Foncier and Comptoir des Entrepreneurs, another specialist property lender bailed out by the state and now controlled by AGF,

the insurance group. flowever, the modifications could trigger additional administrative charges for the two institutions and the French government, since Mr Strauss-Kahn stressed on Friday that no PAP clients should be required to pay for the restructuring

PAPs were introduced in 1977, and were phased out by 1995. Their replacement by other housing finance products available throughout the French banking network weakened the position of Credit Foncier de France and helped precipitate a crisis in the group which led to it being taken over by

the state in 1996. Jérôme Meyssonnier, the new "governor" appointed to head the institution, estimates that Credit Foncier requires a capital injection of FFr2.5bn-FFr3bn to bring it to adequate solvency levels, and a further FFr2.6bn to reimburse a loan made in order to finance the takeover by the state.

Keith Hayes, motor indus-

try analyst with Goldman

Sachs, argues that Peugeot

and Citroèn have become

barely distinguishable", in

contrast to, say, Germany's

Volkswagen, whose brands,

he says, are targeted at dif-

To make his task harder,

the overall west European

Although Japanese compa-

nies have had little success

in penetrating the French

market. Peugeot-Citroën and

the restrictions are lifted.

"Peugeot-Citroën and Ren-

ault are in the medium term

very vulnerable to a reason-

able level of Japanese pene-

tration in the French mar-ket," says Mr Hayes. "The

Toyota decision to locate

David Owen

there is a sign that the screw

is beginning to turn."

ferent groups.

things to come.

Russian joint venture

By Haig Simonian, Motor Industry Correspondent

Ford Motor, the world's second biggest carmaker, will join the growing list of motor manufacturers targetting Russia with plans for a \$150m factory near St Petersburg.

The joint venture, which still bas to be finalised with local and regional authorities, envisages building up to 25,000 vehicles a year in the first phase. Ford said the project had the potential to be expanded.

The vehicles will be built at the plant of Russky Dizel, a big engineering group that makes non-automotive diesel engines for products from lawnmowers to ships. Ford, which will use part

of Russky Dizel's facilities at Vsevolozhk, in the Leningrad region, hopes to conclude detailed negotiations by the middle of this year. The project is Ford's bold-

Mr Folz does not have the luxury of time on his side. In est step in the region since setting up kit assembly plants in Poland and Bela-1999, the restrictions on Japanese exports to the European market are due to disrus. Unlike those factories, appear. Last year's 12.4 per however, the planned Ruscent increase in Japanese sian plant will have full new car registrations - verpress and paint shops. sus growth of 4.5 per cent for Ford's move follows activ-

ity by other carmakers in market - is seen as a sign of Russia in recent months. General Motors is setting up a car plant in north-western Russia, near the Fionish border. The move is expec ted to be a first step towards Renault are expected to building vehicles at the come under pressure when Togliatti plant of AvtoVAZ, Russia's biggest carmaker.

Late last year, Fiat agreed to make up to 150,000 cars a year in a joint venture with GAZ, another large vehicles group, and Renault joined forces with the Moscow city authorities to build cars at the ailing Moskvich plant.

Ford said it had been looking at options in Russia for some time, but declined to indicate which models might be produced.

Most competitors have chosen small saloons, implying Ford will out for its Escort range. The current Escort will be replaced this year, though it will remain in production until 2000 in the UK. Ford may then transfer Escort production to Russia, retaining the option of building the new

version there instead.

The company declined to indicate its potential local partners in the joint ven- Instead, under Chapter 11 were "viable", even at cur-Russky Dizel and the

row details of its long-term estimated would take a year employment plans in Ger-and "possibly longer". He looking at producing about many. Local unions fear said Pegasus hoped to per-250,000 to 300,000 ounces of expected to avoid compulsory job losses while envis-aging a big reduction in the workforce over time.

Ford plans Accountancy deals prompt EC concern

and Jim Kelly in London

The European Commission is expected to indicate that it has serious competition concerns about the proposed merger of global accountancy firms Price Waterhouse and Coopers & Lybrand this week, when it opens a full anti-trust inves-

> The announcement, following a preliminary onemonth probe of the merger. will give Brussels a further four months to decide whether to block the deal or clear it with conditions.

tigation unto the deal.

"Karel Van Miert [the competition commissioner] has a lot of problems with it," said an official. A second accountancy

merger, involving KPMG and Ernst & Young, is also likely to be subjected to a detailed anti-trust investigation, but at a later stage,

"There are differences between the two mergers but not enough to justify opening a second-phase investigation into one, and not into

the other," said an official. Although both cases will be subject to the legally binding deadlines of the Commission's merger regulations. Brussels hopes to coordinate its investigations, making references to the impact of one merger in its assessment of the other.

attempts to differentiate the

By Emma Tucker in Brussels mergers, privately they accept the Commission will

look at them in tandem. "We expect to go to stage two - and we expect them to look at the competition issues which we acknowledge are there - although trading later," said an executive at one of the firms.

All four have begun lobbying the Commission. PW and Coopers' are likely to claim their merger is a natural commercial fit, hoping to contrast it with what they see as a knee-jerk response from KPMG and E&Y

KPMG and E&Y will argue their merger has a genuine European dimension - with a headquarters in Amsterdam and a UK chairman and chief executive. They hope to contrast that with what they see as US domination of

the other merger. All four hope that US regulators at the Department of Justice will signal their backing for the mergers within a month. There are ahead professional self-regulation could be in jeopardy.

At the weekend, the US Public Oversight Board indicated that it had concerns about the mergers. Jerry Sullivan, executive

director, said: "The mergers could challenge self-regulation as we know it today. He said a reduction of the While the four firms Big Six firms to a Big Four involved are making would require alteration of

Pegasus Gold in bankruptcy filing

By Nikki Tait in Chicago

Pegasus Gold, the North American gold producer, has become the first big victim of the plunge in gold prices, filing for Chapter 11 bankruptcy protection in the Nevada courts.

The company has been in talks with bankers over a restructuring of its \$200m debt for several months, but on Pegasus' operations. The now says "no significant progress was being made in

ture. The most likely are procedures, a court will rent gold price levels, supervise Pegasus' efforts to although it acknowledged expected to announce tomor- Nennecker, chief executive, was under review. substantial job cuts to suade lenders to exchange gold this year. reduce costs but the deal is | their debt for equity in the restructured group.

Pegasus' main debt facility Mount Todd mine in Austrais a \$68m revolving credit lia, and called in administraagreement with 11 banks. It tors there last year.

also has \$115m of convertible bonds outstanding, \$14m in trade debt and \$16m in for eign currency losses.

Mr Nennecker blamed the problems on gold prices. "With gold prices at 181/4 year lows, there will not be sufficient cash-flow to ser vice the company's debt."

The bankruptcy filing will not have an immediate effect company said its two Montana projects - Montana

regional authorities. reorganise its financial that the situation at the Flo-© GM's Adam Opel unit is structure – which Werner rida Canyon mine in Nevada Pegasus said that it was

The company has already suspended operations at its

Peugeot-Citroën set to pool costs

ault's year. The clotory at Vilvoorde and its drive to reach a two-year target of cutting production costs by FFr3.000 (\$490) a car meant the French car- that is not linked to the maker's attempts to improve marque or to clients". efficiency were seldom out of

the public eve. This year will be the turn of Peugeot-Citroën, Renault's main French rival, to command attention. Jean-Martin Folz, the recently installed president who faces the difficult task of succeeding Jacques Calvet, a European motor industry institution, is expected soon to announce an important reor-

ganisation. Details of the changes are a closely guarded secret, but one of the main thrusts is At present, the vast major- FFr28 in 1997. Other analysts ity of the group's French argue that the restructuring

likely to be to increase the extent to which the group's factories specialise by platform rather than by marque. assembly plants are dedi- is coming very late comcated either to one marque or the other: Citroën at Rennes and Aulnay, Peugeot at Sochaux, Mulhouse and

Poissy. Vigo in Spain is one

of the few factories that

By Frederick Studemann

Kirch and Bertelsmann, the

German broadcasting

groups, are seeking to

restrict the influence of US

film studios from Premiere,

their proposed digital pay-TV venture.

companies, which are await-

ing clearance from the Euro-

Hollywood studies taking up

options to acquire equity

If they cannot exclude the

stakes in Premiere.

Plans drawn up by the two digital pay-TV ventures.

Mr Folz has already given a strong hint of his plans to employees, arguing that the group "must pursue the pooling between Automobiles Peugeot and Automobiles Citroen of everything

Analysts expect the market to respond favourably to the announcement. The need to cut costs is widely recognised. Though first-half 1997 results were better than expected, the group's operating margin was scarcely above 1 per cent. The French manufacturers

were hit hard last year by the depressed domestic market, where new car registrations were the lowest for more than 20 years. But Sabine Blümel, European motor analyst at IMI Sigeco in London, expects only a modest improvement in 1998, with earnings per share rising to FFr31 after a projected pared with some of the group's main competitors.

actions will address longer-

term problems. These are

board decisions at Premiere

can only be made with their

equity options in programme

output deals with Kirch and

CLT-Ufa two years ago,

estimated to total DM10bn

monopoly on the pay-TV dis-

tribution of US films and

television programmes.

cent stake, will try to stop This gives them a near up the difference.

The studios were given

said to be three-fold.

First, Peugeot-Citroën is the more glaring by the sucbelieved to be too dependent on western Europe. It is seeking to address this, in part, by announcing plans for a big investment in the Brazilian state of Rio de

late compared with its rivals, which have invested recent years. There are also doubts Second, observers worry that Peugeot-Citroën may about whether Mr Folz's

pay TV in Germany, which,

when the two companies hollywood were calculated technology and has over

guarantees". The studios are

within five years.

were trying to establish rival on the basis of "subscriber 1.5m subscribers.

cess enjoyed last year by Renault's Mégane Scenic. The scheduled replacement for the Peugeot 205, due later this year, is seen as crucial. in Ms Blümel's words: "they have to get it right." Certainly, the reputation thought to be acting very for inspired idiosyncracy

Peugeot-Citroën

Dec : 98

Citroën enjoyed when General de Gaulle was being heavily in South America in driven around in a sleek, elegant Citroën DS is reckoned to have gone. Analysis also worry that have lost its ability to pro-

the brand differentiation duce exciting cars - an between the two marques alleged weakness made all has become inadequate.

Kirch, Bertelsman move against US say they will seek to ensure cial problems affecting the bers. The resulting financial in a series of position development of digital burden was one of the main papers sent to the European Commission, copies of which reasons for its decision to according to Kirch and CLT- make peace with CLT-Ufa have been seen by the Finan-Ufa, could become a market and refocus on developing cial Times, Germany's fedgenerating DM2.9bn in sales digital pay-TV around Premieral cartel office has advised ere, a subscription channel the Brussels authorities to Kirch's commitments to that currently uses analogue

CLT-Ufa will pay Kirch pay-TV but also an oligopoly Kirch made commitments paid a set fee per pay-TV DM500m for losses incurred advertising-funded subscriber. To ensure a mini- in launching DF-1. In return, free-TV. Between them, Kirch and pean Commission for their (\$5.47bn) after signing deals mum return, the studies Kirch will close DF-1 and merger, show that Kirch and with Paramount, Columbia, were given guarantees on provide programming to CLT-UIa, the Luxembourg-based media group in which Berteismann owns a 40 per with Fox and Dreamworks. Were given guarantees on provide programming to the number of subscribers. If Premiere, CLT-UIa has also the projected figure was not agreed to take on half the burden of the commitments CLT-Ufa control most of Germany's free-TV. The two companies say "strict boundaries" have been set between pay and free-TV. made to Hollywood as well Since launching its digital as "carriage deals" which pay-TV network DF-1 in allow some studios to put

The cartel office, however, believes there is a real dan-1996, Kirch has fallen dra- their own television changer that the two companies But the output deals are matically short of projec- nels on the German digital will co-ordinate their use of programming.

block the deal on the

grounds that it will not only

create a monopoly in digital

Invest in Romania!

studies, Kirch and CLT-Ufa also one of the biggest finan- tions for subscriber num- pay-TV platform.

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP FUND, a Romanian public institution based in Bucharest, 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 50.97% of the issued share capital of MAŞINI UNELTE SA Bacan.

- Registered Office: Bacan, Calea, Republicii ar.205. jud. Bacan.
- [I Fiscal Code: 950523 ☐ Registration no. at Commercial Register Office: 104/67/1991.
- | I Issued stock capital, according to the latest records at the Commercial Registrer Office: 18,391,900 thousand, ROL.
 | I Immover in 1996: 22,166,938 chousand, ROL.
 | I Net profit in 1996: 636,000 thousand, ROL.

. [] Main scope of activity: design, manufacturing and sale machine tools. Total number of shares at a nominal value of 25,000 ROL each: 735,676. The share ownership structure is as follows:



O State Ownership Fund.
O Financial Investment Company Muntenia
O Share owners through mass privatization
O Shares assigned to the manager
O Shares assigned through public offer

The Company PRESENTATION PILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucuresti, Str. STAVROPOLEOS, nr.5, phone 04-01/3110495; 3123130; 3124231 and for 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 1,000 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities. This sum has to be transfered in advance to the State Ownership Fund accounts: no. 5314-0000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for MASINI UNELTE SA Bacing are included in the company PRESENTATION FILE. THE PRESENTATION FILE will be released on presentation of: a capy of the payment order for the presentation file;
 discript card (or passport for foreign citizens);
 certificate from the hidding company.

In order to participate in the negotiations, hidders are required to present evidence of putting at the Seller's disposal a guarantee of a participation i.e. 1.141.523 thousand ROL or 149.944 USD as follows: Romanian crizens or legal emittes may pay cash to the State Ownership Find, to account no. 4001680900313 at the Romanian Bank for Development - Buchanest Branch (BRD-SMB); foreign chizens or legal emittes may pay cash, to the State Ownership Fund, to account no. 5314-0000002423007, in USD at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Biddens should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitorul oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address; in a scaled cayelope, prior to 30 Jan. 1998, 16.00 lass. (from deadline for submission).

Invest in Romania!

Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP PUND, a Romanian public institution based in Bucharest. 21 C.A. Rosetti Street, sector 2, is offering for sale by direct negotiation a 50.99531% of the issued share capital of MOLDOCIM SA Bicaz.

- Registered Office: Bicaz, Str. Ppiatra Corbului nr.80, jud. Neamj.
- ☐ Fiscal Code: 206463
- ☐ Registration no. at Commercial Register Office: 127/3/1990.
- | D Issued stock capital, according to the latest records at the Commercial Registrer Office: 166,848,500 thousand, ROL. | D Turnover in 1996: 121,822,622 thousand, ROL. | D Net profit in 1996: 3,747,904 thousand, ROL.

Main scope of activity: cement production

Total number of shares at a nominal value of 25,000 ROL each: 6.673,620. The share ownership structure is as follows: 60.1484 O State Ownership Fund 0.5042 O Financial Investment Company Muntenia

O Share owners through mass privatization + manager 39.3474

The offer for the 50.99531% issued share capital, i.e. 3,483,233 shares is 58,134,653 USD. The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, SOF-RDA BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, București, Str. STAVROPOLEOS, nr.ú, phone 04-01/3110495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 hrs., at a price of 2,500 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 5314-0000024230007, in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 1510980000607, in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors.

The minimal environmental conditions accepted for SC MOLDOCIM SA are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on presentation of: a copy of the payment order for the presentation file;
 identity card (or passport for foreign citizens); Contificate from the bidding company.

In order to participate in the negotiations, bidders are required to present evidence of putting at the Seller's disposal a guarantee of a participation i.e. 13,029,720 thousand ROL or 1,744,040 USD as follows: Romanian citizens or legal emitties may pay eash to the State Ownership Fund, to account no. 4001680900313 at the Romanian Bank for Development - Bucharest Branch (BRD-SMB); foreign citizens or legal emitties may pay eash, to the State Ownership Fund, to account no. 5314-0000024230007, in USD, at the Romanian Bank for Foreign Trade (BANCOREX); alternatively the bidders may instruct the bank where they hold their account to release an unconditional bank guarantee valid for 45 days.

Bidders should submit the PURCHASING OFFER and the documents stipulated by Government Decision (HG) no. 457/1997 article 26, published in "Monitoral oficial" no. 213/28.08.1997 to the State Ownership Fund, Offers Division at the above mentioned address, in a scaled envelope, prior to 26 Jan. 1998, 16.00 hrs. (from deadline for submission).

FINANCIAL TIMES MARKETS

THIS WEEK



Global Investor / Peter Martin

Consensus of bulls and bears

to take an inventory of the conventional wisdom. Here is an outline of today's, as captured in the monthly survev of fund manager sentiment around the world, carried out by Gallup for rates in the spring of 1995.

Fund managers handling assets that make up a significant proportion of world market capitalisation are asked a series of questions including whether they expect an improvement in the general economic situation in their own countries. The chart shows what hap-

pens when you aggregate all this information, setting domestic bulls against

four out of five fund manag- stronger Pacific economy

ers expected their own economies to improve. Since then it has fallen - steadily at first and in recent months precipitously, with a speed not seen since the Federal Reserve raised US interest

In the latest survey, carfewer than two out of every five fund managers expect their own economies to improve in the near future.

There is a certain amount figures. In the US, only 3 per cent of fund managers are bullish on the domestic economic outlook. In Japan. 60 per cent of respondents expect economic improvement - but only a little. In the rest of Asia, only 14 per cent are expecting a

(excluding China and

The same proportion December. expect a stronger Chinese economy, a sharp drop from the month before.

In continental Europe, 75 per cent expect an improvement in the economy, down slightly from the month before. But in the UK, only 14 per cent expect the economy to strengthen, a halving of the December figure.

So that is the first element of the consensus: no strong expectation of economic growth, except in continental Europe. The second element of con-

sensus is more widely shared: that the Asian crisis will set to rest any fears of inflation. Across the world, fund managers are even less worried about inflation, and

est rates, than they were in fund managers expected ris-ing inflation; the figure is now 26 per cent. US fund managers, for

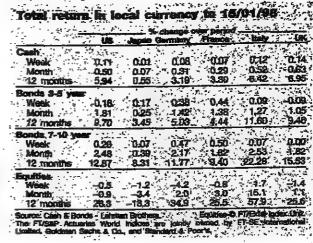
example, expect 10 year Treasury bonds to be yield-So that is the consensus: a sluggish global economy, ing 5.4 per cent in a year's rock-bottom inflation, and time (compared with the 5.7 falling interest rates. This is per cent they forecast in not, you might think, a particularly encouraging atmorecorded at Friday's close). sphere for equity markets. True, falling interest rates Only 11 per cent of US managers expect inflation to rise,

will make stocks better value. But slower economic growth and low inflation will make it hard for companies to regain pricing Nonetheless, equity mar-

kets have done surprisingly well since those fund mana ers were asked for their views. The single most closely-watched indicator, the Dow Jones Industrial Aver-

other indices are much more positive. In dollar terms, the FT/S&P Actuaries World Index is only 6 per cent

below its 52-week high. The broad US indices are in even healthier shape: both the S&P 500 and the NYSE Composite are only 2 per cent below their all-time.



a record set in August. But inherent contradiction reflect a high level of confibetween what fund managers are saying and doing. They say they are worried about economic growth and company profits - 46 per cent of US fund managers told Gallup that the equity market is over-valued, and none said it was under-val-

> Yet the market, which reflects the sum of their individual actions, continues to

dence in the future: the world price/earnings ratio, as calculated by I/B/E/S, was a healthy 18 in December. Well, there is no law which says the consensus has to be internally consistent. Survey, Bijal Shah and Trevor Greetham, Merrill Lynch,

COMPANY RESULTS DUE

Continuing price war will benefit **Microsoft**

Microsoft is expected to report fourth-quarter earnings per share on Wednesday of 82 cents, up from 57 cents in the previous year with demand in the US and Europe for its Windows NT and Office 97 software offsetting slight weakness in Asian markets.

One analyst said its US profits had benefited from a continuing price war among boosted personal computer 36 per cent. AFX, New York sales and distribution of Windows NT. "Microsoft Bankinter, the Spanish

Compaq Computer," he said. Pta18.9bn (\$122.7m) com-When major PC makers cut their prices, Microsoft doesn't have to. It still gets \$45 for every piece of software shipped in each new AFX, New York

■ Compaq Computer is expected on Wednesday to report fourth-quarter earnings per share of 83 cents (66 cents), thanks to healthy overall demand across its product range and cost and inventory improvements.

Analysis said Compaq's acquisition of Tandem last year had expanded its business product range, and estimated third-quarter sales of Compaq's Proliant servers, technica INT workstations hardware makers, which and Tandem products grew

software generally is bank is expected to report fourth quarter to December included automatically in tomorrow 1997 net profits to be mostly lower than a most PCs made by Intel and after minorities of Ptal8.2bn- year ago because of declines

pared with Pta17.14bn.

Earnings growth will be fuelled by lower loan loss provisions, strong commission income and further gains in profit from treasury AFX, Madrid

■ International Business

Machines is expected tomor-

row to report fourth-quarter earnings per share of \$2.15. compared with \$1.97. Analysts said share buy-backs and cost management efforts were likely to outweigh a stronger dollar and flat sales in Japan. The stronger dollar is expected to have cut revenues by about 6 per cent and foreign exchange losses may erode earnings per share by 20-25 cents. AFX, New York

■ Analysts expect US oil companies' earning in the

down from 18 per cent in

where 27 per cent were

expecting rising inflation in

December, the drop has been

even more marked - only 12

per cent now expect it. Even

in the UK, where fears of

inflation are both more prev-

alent and (given historical

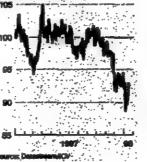
mood is optimistic. In

In continental Europe,

in the price of crude and on Oil prices have been

declining steadily since the November decision by Opec to raise its production ceiling by 10 per cent.
Exxon, the largest US oil

company, is expected to report on Wednesday fourthquarter earnings of 75 cents



against 84 cents.

Amoco is expected to report on Thursday fourthquarter earnings of \$1.28 per share, down 18 per cent from \$1.56 a year earlier. Amoco has a higher leverage in chemicals and a limited ability to offset a lower oil price Mobil, reporting on Janu-

US banks are expected to

with a consensus of \$1, down 9.3 per cent. The only company seen

trend is Texaco, due to report on Thursday with expected fourth-quarter earnings per share up 12 per cent to 79 cents (71 cents). Chevron, also due on Thursday, is expected to report fourth-quarter earnings of 99 cents, 7.1 per cent lower than last time's \$1.06.

Atlantic Richfield is expected to report on January 26 earnings virtually inged at \$1.15 (\$1.16). Looking to 1998, analysts are divided as to the direction of oil prices, with debates raging over the

and the Opec decision. AFX, New York

effects of the Asian crisis

ary 28, will also be affected, fourth quarter despite continuing concern over the deteriorating financial environment in Asia, which is expected to pose a growing threat during the year.

Citicorp, scheduled to report tomorrow, is expected to post fourth-quarter earnings of \$2.17 on a fully-diluted basis compared with \$1.97 a year earlier.

On the same day Chase Manhattan is expected to reveal flat fourth-quarter earnings of \$1.88 fully-di-BankAmerica is expected

on Wednesday to report earnings of \$1.12 (99 cents), according to analysts, as it derives only 8 per cent of its earnings from Asia.

JP Morgan is expected to report some time this weekfourth-quarter earnings per share of \$1.66, down from \$1.96. Also this week, Bank report solid year-on-year- of New York is expected to earnings growth in the report fourth-quarter earnAFX, New York

■ US carriers are expected to report healthy increases in fourth-quarter earnings per share thanks to strong demand, high ticket prices. and cheaper oil, which are likely to offset the impact of the Asian financial crisis.

Earnings at AMR, the parent company of American Airlines, should on Wednesday reach \$2.12 fully-diluted, say analysts, up from \$1.88. United Airlines is expec ted to report \$1.58 (\$1.05)on a

fully-diluted basis, when it reports on January 28. Delta Airlines, which is concentrated in its domestic US business, is forecast to report earnings of \$1.82 on

Thursday. US Airways, also concentrated on the US market, is forecast to record earnings of 95 cents on Wednesday. AFX, New York

INTERNATIONAL EQUITIES By Vincent Boland

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Abbey National Treasury Services pic (incorporated in England with limited liability, registered number 2338548)

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> The First National Bank of Chicago

JUPITER TYNDALL GLOBAL FUND, SICAV

DIVIDEND NOTICE

The Directors resolved to pay a dividend of US\$ 0.003 per share to shareholders of the Philippine Portfolio on record on 15 January 1998 with an ex-dividend date of 16 January 1998 and a payment date of 23 January 1998.

red Office: Luxembourg, 13, rue Goeth R.C. Luxembourg B34 593

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THE PISOLVENCY ACT 1996
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Duc 22 December 1997

COMPANY NUMBER: 1966533 PROVIDENT MUTUAL DEVELOPMENTS LIMITED

Nature of Sustaines.
Properly development.
Type of Liquidation: Members
Address of registered office;
1 The Eartheniannes.

Geoffrey Rouen Adams, KPMG, The Embarances, New Steps, Lords LS1 4DW. Office holder number(s): 5291. Date of appointment: 22 Decem By whom appointed: Members.

Neville Street, Leeds LS | 40W.

NAME OF COMPANY PROVIDENT MUTUAL LIPE ASSURANCE LIMITED

Nature of Business: Ordate; long term insurance. Type of Liquidution: Members. Address of registered offices | The Enthodomera. Martille Street. Lacks LSI 4DW.

Lerch LSI 4DW. Date of appointment: 22 Decer

COMPANY NUMBER: 227360 PROVIDENT MUTUAL INVESTMENT ADVISORS LIMITED

Neville Stret. Leeds LS (4DW, Liquidatoris! manete) and addres Geoffrey Rouer Adams, KPMG. 1 The Embarkment, Neville Street, Leads LS1 4DW. Office holder mamber(st: S291.

Date of appointment: 22 December 1947. To Advertise Your Legal

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Banks' privatisation fees tumble

Europe's privatisation deals are tumbling. The forthcoming sale of the final tranche of shares in Argentaria, the Spanish banking group, carries a fee of 1.75 per cent of gross proceeds - Which could reach \$2.2bn - to be shared among all the banks in the syndicate.

Although the average fee for European privatisation work in 1997 was about 2.5 per cent, according to bankers, the level fell steadily during the year, to just 1.85 per cent with other Spanish privatisations such as Aldeasa and Aceralia.

Rory Tapner, global head A market of that size

nakes for ferocious competi-

of equity capital markets at SBC Warburg Dillon Read, estimates that privatisation work represents up to 50 per cent of the total fee pool in a transaction to be profitable Europe. Last year, European governments raised \$73bn from selling state assets.

banks for working on toughest market when it some US bankers argue that comes to fees. As one of European privatisation fees Europe's canniest and most are in line with those of big frequent sellers of equity in US corporate transactions, the past three years, the though they are generally Spanish government has been able to squeeze its own costs to a minimum.

To some extent, the sheer size of some of the privatisation deals has compensated for low fees. But issuers are not the only people responsible for declining fees. Banks who use them as a "strategic weapon" are as much to blame, bankers say. The giobal houses grumble privately that smaller competitors often compensate for lack of distribution firepower by cutting their margins to the bone to win busi-

ness and boost revenues. The minimum fee level for for a banking syndicate is debatable, but many bankers agree that anything below 2 per cent is not sustainable for long without drastic cuts

Fees earned by investment tion, and Spain has been the in syndicate size. However, ing should stop the relentlower than European corporate flotations.

> believes fees might not fall much further provided they

er-productive to the transaction and its performance in the aftermarket," he says. privatisation work is a diminishing source of reve-

are not used as strategic weapons, and that both issuers and syndicates stand to "Governments understand that there is a point beyond which cutting fees is count-

Some bankers argue that global houses as corporate work in continental Europe increases ahead of monetary union. They believe consolidation in investment bank-

less decline in fees and per-That is unlikely to happen in Spain, where the govern- ment has almost completed its sell-off programme. But

for other governments, the question of whether to Franck Petitgas, head of European equity capital demand the minimum fee or markets at Morgan Stanley. the maximum distribution of the equity remains. Big manthis year in Poland, France, Germany and Portugal, and with markets in a jittery mood, issues may be harder to sell than in last year's bull market.

That means providing greater incentives for banks to put all their resources into a deal, following it through in the aftermarket, and continuing to research the company into the future. nues and profits for the And if investment banking profits start declining, boosting margins rather than revenues might be the preferable course for the banks

UK GOVERNMENT EURO TREASURY **NOTE PROGRAMME**

We hereby give notice with respect to the above mentioned programme, that with effect from 13 January 1998. Senque Internationals a Luxembourg has been appointed as the Luxembourg-based paying agent at the address given below. In addition, Citibank (Luxembourg) SA will continue to act as a paying agent to the above mentioned programme until 20 February 1998 following which it will cease to act as a paying agent to the me. All communications after 20 February 1998 should be

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January 16, 1998 Çıpbank N.A. Londi

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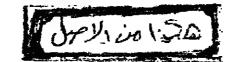
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BUSINESS @



NEW YORK By Richard Tomkins

The week starts on a quiet note in the US today, with equity and bond markets closed for Martin Luther King Day - the first time they have observed the holiday commemorating the birthday of the black civil rights leader. But things could turn hectic tomorrow as events unfold in Asia and the US quarterly earnings

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season gets fully under way. So far, only a few US companies have reported earnings for the quarter to December, and there have been no particularly unpleasant surprises. But investors are watching closely for signs that Asia's economic crisis is having a worse than expected effect on US companies' profits.

This week will give people a clearer idea of the trend in corporate profitability. because many of the biggest companies in the US are due to report their results. According to the First Call

research service. IBM is due to report tomorrow, along with many of the biggest hanks: Microsoft, Exxon. Caterpillar and AMR, the parent company of American Airlines, are due to report on Wednesday; Amoco and AT&T are among the companies due to report on Thursday: and results from McDonald's and Chrysler are due on Friday.

Benchmark yield curve (%) 16/1/98 --- Month ago e== 825 - ***** 10 years 20 Dow Jones Industrial Average 7.750 7.660 ---

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Bonds have seen a strong rally recently as investors, shaken by the turmoil in Asia, have dumped stocks and shifted into fixed income securities. But amid indications of stability in the Asian crisis, sentiment shifted back towards equities at the end of last week, sending bond prices lower. This week, with no significant US economic data due, a quiet week in Asia and another rally in equities

- could put bond prices

under further pressure.

9 12 13 14 18 16 Jan 1896

LONDON By Philip Coggan

The underlying strength of the UK market, thanks to share buy-backs, takeovers and the high cash positions of institutional investors. was illustrated on Friday when the FTSE 100 index

jumped 97.3 points to 5,263.1. The market accordingly starts the week just 67 points off its all-time closing high; and it will not be prevented from reaching the peak by Wall Street, which is closed today for the Martin Luther King holiday. Barring events in Asia, which remain highly volatile, the main threat to

economic news. Gilts were badly hurt last week by the average earnings numbers, which appeared to show wage pressures were developing in the economy, and reawakened fears that the nonetary policy committee will opt for another interest

share prices seems likely to

come from domestic

rate rise next month.

The key data this week will be Wednesday's retail sales numbers - the evidence so far is that business at Christmas was respectable, although the performance of individual store groups was mixed fourth-quarter gross domestic product growth on

Banchmark yield curve (%)".

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18/1/98 --- Month ago ---

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9 12 13 14 15 16 Jan 1996

The consensus forecast is

that the quarterly growth

slowing the annual rate of

growth from 3.7 per cent to

On the corporate front.

the main interest will be

in interim numbers from

Somerfield - the subject

last week - and in final

hoping that some of the

numbers from Lonrho.

many rumoured deals

become reality.

of some takeover rumours

However, traders will also be

rate will be 0.6 per cent.

3.3 per cent.

FTSE All-Share Index

MARKETS: This Week

German shares are expected to remain fairly resilient to the uncertainty over Asia. with concern about the onger-term impact of the crisis offset by signs that solutions are being implemented. The DAX

ndex gained 1.8 per cent on Friday to close at 4,216.24. Among those wary of the outlook is J.P. Morgan, the US investment bank. Gary Dugan, its European equity market strategist, expressed caution in a review of European stock markets. noting that the south-east Asian upsets have clouded the background for Germany. "Concerns for future growth in Europe have meant that investors are less willing to buy cyclical stocks at high

Relatively high price earnings multiples also make the market more susceptible to downturns. In his view, nervousness is likely to continue, with the autumn general election possibly compounding the risks. Earnings estimates are now being downgraded. Moreover, "the overall

valuations," he said.

switch of growth in Europe from one based on exports to one based on consumption gain does not favour German equities", J.P. Morgan has lowered its recommended weightings in German and

FRANKFURT By Andrew Fisher

Benchmark yield curve (%)* 16/1/98 --- Month ago ---10 years 20 DAX Index

4.250 4,200 -4,150 ---4,050 9 12 13 14 15 16 Jan 1996

Swedish stocks to underweight, while those for the Netherlands and Spain have been increased.

The market was alerted to some of the implications of the Asian turbulence last week when Deutsche Telekom announced weaker than expected profits and made provisions to cover risks in the region.

However, the shares recovered after an initial slide as analysts concluded Telekom's exposure in Asia

TOKYO By Michiyo Nakamoto

Investors in Tokyo will be watching closely this week for any concrete signs that the government is moving towards adopting additional stimulus measures before the end of the current fiscal

year in March. Last week closed with a strong rally in Tokyo that was spurred by comments from a number of government officials suggesting that new measures were in store. What began with a hint from a member of the ruling party's old guard that the Y2,000bn one-off income tax cut could be extended spread as other government members joined the chorus.

Hashimoto, finance minister Hiroshi Mitsuzuka and Economic Planning Agency head, Koji Omi, were all heard making comments about responding "flexibly" to Japan's economic situation. Given that the market has been demanding further measures for some time, if such talk continues this week, it could support

Prime minister Ryutaro

further gains, However, if there is a lack of concrete proposals from the government, the market could react badly, having been disappointed by Mr Hashimoto on numerous occasions in the past.

16/1/98 - Month 250 == 1.00 ----N9kkei 225 Average 16.000 - -15.000 -14,500 9 12 13 14 15 16 Jan 1898

Benchmark yield curve (%)"

will also continue to have an impact on Tokyo trading. In addition to the direct market impact on Tokyo of any downturn in regional markets, increasing indications of the adverse impact on corporate Japan of Asian economic turnioil could send jitters through the market again.

The finance ministry's meeting of regional finance bureau heads, on Wednesday and Thursday, will also provide further insight into the state of the economy.

COMMODITIES By Nikki Tait

Future brighter for US cattle market

Good news cannot come quickly enough for US livestock markets. They began 1998 burdened with large supplies and faced flagging demand from packers and retailers. Export prospects did not look too rosy, either. with the Asian financial woes threatening demand at the very point when the industry needed to move large stocks.

Most traders expect US off in 1998, but clearing tract rose to 66.42 cents a large - up 8 per cent over to cast a large cloud over the prices.

existing supplies in the face of weak retail demand and competition from other meat products - such as pork and poultry - is the more immeprices dropped to their lowest for about six months:

slightly cheerier note, with beef production to slacken The near-term February con- numbers were depressingly the Asian markets continues

CURRENCIES By Richard Adams

cents a pound at the turn of below the 70 cents-plus seen six months ago. Analysts put diate concern. As a result, at the improvement down to the turn of the year futures busier beef trading and a consequent step-up in retail demand on suspicion that

But last week ended on a prices would not fall further. This week, the US Departlive cattle futures hitting a ment of Agriculture puts out two-week high on the Chi- its monthly "cattle on feed" cago Mercantile Exchange. report. In December, the

Lira jitters seen as buying opportunity

pound, from less than 85 the same month a year sarlier, and 12 per cent higher the year, although well than in December, 1995. Some traders hope that this month's data will point to the more buillsh trend.

"It's been keeping some people from selling," said Mike Buchanan, at Prudential Securities' Lubbock office. "We've had a horrible winter. You could see a pretty good draw-down."

industry. The relative strength of the US dollar, the immediate liquidity problems in the region, and the likely reduction in longerterm growth rates there suggest that demand for both beef and its by-products will take a sizeable hit.

Beef, a "luxury" item, is particularly vulnerable to substitution. Only last week, USDA warned of dimming Even so, the sorry state of export prospects and, perhaps, weaker than expected

OTHER MARKETS Compiled by Jeffrey Brown

HONG KONG

Volatility is going to remain the dominant trading theme this week, writes Louise Lucas, Although last week's roller-coaster ride saw the benchmark Hang Seng index close on Friday with a modest net gain at 8,900.04, brokers still expect the 8,000

mark to be re-tested. Investors are likely to remain cautious in the face of higher interest rates which have pushed up the cost of servicing mortgages and delivered a blow to the property sector - and fears that companies may experience debt financing prob-

lems this year. These concerns almost halved the share price of Sino Land on Thursday, and have put the spotlight on smaller companies with high borrowings. Fragile confidence will also play a part: several companies are laying-off staff, and retail investors account for a big proportion of share trading.

China-related shares are also expected to remain the collapse of Peregrine, the French equities.

Asian investment bank, which had small stakes in several red-chip companies, has been partly responsible for the fall in share prices among China plays.

PARIS

Analysts and traders are beginning to look forward to the results season and the possibility of market strength when the pride of corporate France takes the wraps off its 1997 profits performance

This is one reason for the steadiness of equities last week, when the overall trend rode out another bout of torrid trading for the banks as Asian gloom waxed and waned. SGS Thompson provides an early show of the betting, wheeling out what are expected to be strong numbers on Wednesday.

To some extent, though, shares are suffering from investor switching. Core shaded in favour of Italy and rally, it is increasingly diffi-

On Friday, the CAC 40 index was back within striking distance of 3,000. extending its rally from its October lows to 19 per cent.

ZURICH

The Swiss market has a busy week in prospect, with results expected from Cibs SC tomorrow, Nestlé on Wednesday and Novartis on Thursday.

UBS forecasts a 17 per cent rise in 1997 sales from Ciba and expects this above average growth to continue this year thanks to active product portfolio management and the company's innovetive drive.

Credit Suisse First Boston raised its price target for Nestlé on Friday from SFr2,400 to SFr2,500 and reiterated its buy advice.

Novartis was a strong performer on Friday as investors switched into the stock after Roche reported 1997 European markets are being sales that were in line with expectations but seen as Spain. Given the recent slightly disappointing. Pharmaceuticals turnover in meagre 4 per cent.

in the spotlight this week, row in the Dutch parliament after a conflict between over italy's membership, and members of the European an Italian newspaper report Union over Italy's member- that Helmut Kohl, the Ger- criticism was muted by the membership is in the bag rates projections along the

The Italian lira will be back ship of the European single currency.

ber Klaus-Dieter Kuehbacher visits Rome tomorrow. last week said there were critical" of Italy's prospects (Emu) in the first wave.

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FT GUIDE TO WORLD CURRENCIES

His comments echoed a lira's membership when

The comments combined good reasons to be "slightly to widen the yield spread recent economic improvebetween Italian BTPs and ment as "impressive". of joining European Eco- German bunds, putting presnomic and Monetary Union sure on the lira against the

2599.79 82.3710 32.0180 32.3490 84.7436 740730.1 1.4770 271.233 0.9787 0.8294 7.03236 2161.90

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supported by France in its should be regarded as a buy- floating rates. bid for first round membership and German and Dutch unequivocally endorse the not themselves meet all of ment even described Italy's

> Italian market analysts said very sensitive to changes in government forecasts - good setbacks caused by jitters interest rates, with 31 per news for the lira and BTPs.

The table below gives the intest swelleble rates of exchange (rounded) against four law currencies on Friday, January 15, 1998 . In some cases the rate is nominal, Market rates are the average of buying and selling rates assespt where they are shown to be otherwise. In some cases market rates have been palculated from those of foreign currencies to which they are tied.

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However, Italy remains over Italy's membership cent of outstanding debt at ing opportunity.

man chancellor, would not fact that both countries may will be a plus," they said. criteria. The Dutch govern- Ecofin meeting in Brussels. Don Smith, international in London, pointed out that The Bank of America's Italy's public sector debt is in 1999 and undershooting

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"As a rough rule of thumb. "Any hint that Italy's a 0.5 per cent cut in interest

vield curve would produce a Italy's fiscal prospects are saving of around 0.75 per HSBC's projections at lower interest rates show

economist at HSBC Markets deficit of 24 per cent this year, falling to 2.1 per cent

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CROSS BORDER M&A DEALS NIDOER/INVESTOR TARGET SECTOR VALUE COMMENT Manneamann (Germany) Unit of Philips (N'lands) Car systems Terms agreed LAHC (UK/US) Unit of GAN (France) **Institution** \$573m Life disposal Hambros (UK) Benking Belgacom (Belgium) Cipe (France) Security \$377m Friendly bid Printing \$310m Empreses La Moderna \$284m Stake to 92% Textron (US) Ransomes (UK) Garden tools \$233m Offer raised Life USA (US) Stake via US Tate & Lyle (UK) Imass: (Argentina) Food \$52m Beneticial Corp (US) Endeavour (UK) \$51m Lloyds sale Fin services

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Sirt PORD MOTOR CREDIT COMPANY

U.S. \$750,000,000 Floating Rate Notes Dua January 17, 2002 In accordance with the terms and conditions of the Notes, the interest rate for the parked 20th Jenuery, 1999 to 17th April, 1998 has been flood at 5.75% per annum. The interest psyable on 17th April, 1996 will be U.S. \$13.895833 per U.S. \$1,000 nominal.

Fiscal and Principal Paying Agent ROYAL BANK OF CANADA

Notice is hereby given that we rate of informal for the parcel from January 19m. 1998 to April 17m. 1998 has been kind at 3 71875 per core, per annum. The coupon amount due for the period is FRF 90 90 per denomination of FRF 50,000 and FRF 509 00 per denomination of FRF 50,000 and is possible on the interest payment data April 17m. 1998 DND The Figure Agent Barrague stationsple de Peris (Lorenbourg) S.A.

BANQUE SOFINCO

Rothschilds Continuation Finance B.V. U.S. \$75,000,000 Subordinated Guaranteed Floating Rate Notes due 2015 or the six months 16th January, 1998 16th July, 1998 the Notes will carry surcress rate of 5.875% per atmen th a coupon amount of U.S. \$295.38 or denomination of U.S. \$10,000 public on 10th July, 1998.

METRO

METRO FINANCE B.V.

Can\$ 100,000,000 Collared Floating Rate Notes 1993/2003 (issued under the DM 2 billion Multi-Currency Euro Medium Term Note Programme of METRO AG) Tranche-No.: L1

The Rate of Interest applicable to the Interest Period from January 15, 1998 o April 14, 1998 inclusively, was determined to be 6.5 per cent per annum, Therefore, on April 15, 1998 interest per Note of Can\$ 1,000 principal amount in the amount of CanS 16.03 and interest per Note of Can\$ 10,000 principal amount in the amount of Can\$ 160.27 is due.

Frankfurt am Main, January 1998 Dresdner Kleinwort Benson Dresdner Bank Aktengesetschaft Calculation and Principal Paying Agent

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EMERGING MARKETS By Jonathan Ford

Hope seen for Asia in M&A Investors

Philippines government may be prepared to countenance a foreign hostile bid for brewer San Miguel, one of the country's corporate jewels, shows how much Asia has changed as a result of its financial crisis.

Until recently, foreign takeovers of national champions like San Miguel were unthinkable. But with corporate demand for capital now outstripping local supply in many countries, the economic nationalism that kept corporate Asia closed to outsiders is being abandoned.

Even South Korea, one of the more xenophobic countries in the region, has partially dismantled restrictions on foreign shareholdings to control are conceivable.

a point where changes of As a result of these changes, the Asian M&A expand dramatically this

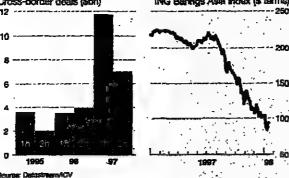
of a flood of deals. Caspian Securities, the emerging markets investmarket is expected to ment bank, recently raised \$80m, part of which is to be

Emerging markets: IFC weekly investable price indices

		Dollar term		
	No. of	Jan 15th	% Change	% Change
Marient	stocks	1938	ovet, meet	on Dec 197
Lutto America	(270)	691.11	-5.7	-12.
Argentina	(32)	996.52	-1.1	-10.4
Brazil	(75)	428.41	-6.0	-114
Chile	(50)	537.17	-6.5	-16.4
Colombia ¹	(16)	759.04	-3.8	-8.0
Mexico	(61)	679.46	-7 <i>.</i> 2	-13.
Perul	(24)	201.63	-2.7	-8.
Venezuela ³	(12)	765,02	-8.4	-16.
Anto	(758)	95.68	+6.7	-113
Chins ⁴	(43)	37.94	-12.6	-31.
South Korea	(184)	34.32	+33.2	+42.
Philippines	(49)	97.51	+8.9	-13.
Taiwan, Chinas	(98)	128.16	+1.0	-9.
India"	(72)	75.26	-7.5	-9.
Indonesia ^s	(61)	19.75	+29,3	-414
Mataysia	(157)	73.15	+11.3	-19.
Pekistan'	(24)	214.56	-8 .1	13,
Sri Lanka®	(5)	116.34	-1.7	Q.
Thailiand	(65)	42.93	+4.4	-8.
Euro/Miki East	(396)	131.77	-6.8	-8,
Czech Rep	(6)	51.11	-2.3	-8.
Egypt	(28)	80.83	-1.2	-2.
Greace	(54)	301.71	-5.5	-8.
Hungary"	(13)	289.31	-8.3	-8.
Israel	(46)	109.80	-6.9	-9.
Jordan	(6)	206.80	-1.2	-1.
Maraga	(11)	128.35	-0.2	-1.5
Poland*	(29)	544.54	-8.4	-8.
Portugal	(23)	217.94	-0.5	+3.5
Russla	(30)	117.91	-17.1	-20.
Slovakia	(5)	91.22	-2.2	-8.
South African	(77)	104.19	-4.5	-8.
Turkey*	(58)	286.33	-9.7	-8.
Zimbabwe ^s	(10)	261.37	-4.2	+3.
Composite	(1,424)	218.97	-3.5	-11/

Pridity, Blane claim: Dec 1988-100 geograf those nated which are: (1)Feb. 1 1991; (9)Dec. 31 1995 (9)Jet 5 1990; (4)Dec. 31 1992; (9)Jet 3 1992; (9)Jet 4 1991; (7)Nov 5 1992; (9)Bep.38 1990; (9)Jet 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31

Last week's news that the Asia: bidders attracted by lower equity values ING Barings Asia index (\$ terms) Cross-border deals (\$bn)



year. Many investment invested in building just such a presence in Asia. "We ming down their Asian brokthink there are going to be a lot of companies buying ing operations have also been building up their M&A cheap corporate assets in the region." said Richard Greer, capability in the expectation managing director.

A recent report by Flemings, the UK investment bank, shows how western companies are already moving in on Asia, attracted by the cheap valuations the crisis has thrown up. The report covers all cross-border mergers and takeovers comof more than \$50m.

Overall, cross-border M&A activity in Asia in 1997 more than doubled in value compared with 1996, with 68 deals worth \$18bn. Much of this was concentrated in the first haif, when almost \$12bn of deals were done.

region's currency crisis deep- active sectors were utilities. ened, but this was mainly due to a sharp drop in the number of Asian companies buying each other. Western companies actually completed more deals in the region in the second half than they had in the first.

Indeed, during the last six months of 1997, a period of the 14 most highly valued unparalleled economic confusion in Asia, western companies completed more than \$6bn of Asian deals, against \$5.7bn in the first half.

"A lot of western multinasignificant at the same time markets," he said.

as prices have fallen sharply. In many areas, such as hotels and cement, assets are actually trading at a discount to their replacement cost value."

A big source of deals this year could be the localwestern joint ventures built up in the 1980s. With Asian economies in recession, multinationals are expected to take the chance to buy out their partners.

And not only is western takeover activity set to increase. Once the economic situation has stabilised, the need for Asian banks and corporations to restructure is expected to trigger a spate of domestic and regional cross-border deals.

Mr Heyworth argued that corporate activity is an important guide to investors because it indicates those sectors where such activity may support stock-market

He cited Latin America's openness to foreign corporate investment as one reason why its markets held up well during the Asian turmoil in October. "Portfolio investors seem to believe that corporates are better able to judge the risks of investing in emerging markets than they are," he said.

In Asia, the consumer goods sector experienced most corporate activity last year, with deals worth Activity fell off as the \$3.7bn completed. Other telecoms and energy.

Research by ING Barings shows some correlation between these sectors and those currently enjoying premium valuations in at least one Asian market. Using a price-to-book value measure. Barings produced a list of stocks in the Thai stock market. Of these, half were utilities or energy stocks.

Mr Heyworth believes the rising tide of corporate activity this year could be a buytionals see what is happen- ing signal for portfolio invesing in Asia as a once in a tors. "A lot of funds are now lifetime opportunity," says massively underweight in Laurence Heyworth, emerg- Asia, so they might see a ing market strategist at wave of corporate deals as Flemings. "The old obstacles" some sort of endorsement to buying have become less a signal to get back into the

lukewarm to

primary market over the past fortnight, 1998 promises to be a lively year for eurobond issuance. With more than \$10bn issued each week in the dollar sector alone, volumes are approaching the

robust levels witnessed during the market boom this time last year. Take a closer look, however, and the situation does not seem quite as rosy. Rare names, such as Scottish Power and H.J. Heinz, could normally expect a rapturous

welcome from institutional and retail investors. Although neither was by any means a failure, their offerings last week could hardly he described as blow-outs. Similarly, experienced

single-A borrowers such as General Motors Acceptance Corp, which tapped the market for \$2bn last week, and Ford Motor Credit, which issued a Sibn bond the previous week, usually expect a little more than the respectable demand they saw.

"There has been a lot of supply and there's a lot more still to come but the level of investor interest doesn't really justify this," said one bond official in London.

investors have mainly focused on the highest quality borrowers. "Since the New Year, what we have seen is a basic flight to quality," said a syndicate man-ager at CIBC Wood Gundy in London. Investors are still wary of credit risk."

Analysts expect investors to continue holding back until there is more certainty in the market and better yields on offer. With the US Treasury long bond yielding well below 6 per cent and record low yields on Trea-the dollar meintaining its suries and very generous Gundy.

exchange markets, this presents a frostrating dilemma

INTERNATIONAL BONDS By Edward Luce and Samer Iskandar.

"What borrowers are say ing is: 'Shall we put down a footprint now and risk a lacklustre response or can we hold back until the market is stronger?" said one syndicate head.

For many, the second option is unattractive. Having been on hold since the Asian crisis hit the global markets in late October, companies and banks are falling behind in their funding requirements. They also know investors have built large cash positions in the past three months that are waiting to be allocated. The question is: What is going to coax the investor back?

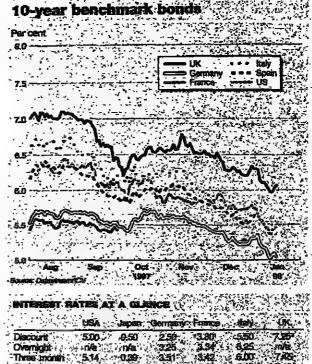
"It will probably take two three months for the criels in Korea and Indonesia to subside completely." said one official.

"Once that has happened, the focus will switch back to the strength of the US economy and the direction of interest rates. It is hard to see the bond market moving back into equilibrium in either scenario."

On one point, however, analysts are unanimous: the US dollar will continue to take a disproportionately large share of whatever supply hits the primary market. Investors need to diversify their portfolios before European monetary union, said one. "The dollar is the most convenient hedge."

offers borrowers some of the best issuing conditions in recent memory. "The combination of

The dollar sector also



swap spreads offers highquality names an opportuaity to borrow at historically low costs," said a US banker in London.

Swap spreads, which determine the final funding cost to the borrower after switching Its obligations from a long-term fixed rate to interest payments linked to money market rates. reached record levels of 55 and 57 basis points for fiveyear and 10-year maturities espectively in recent weeks. This allowed issuers that are able to launch 10-year bonds at a yield spread of less than 57 basis points over US Treasuries to borrow at a cost well below interbank rates.

Somehow, however, in spite of the conjunction of favourable demand and supply conditions, the market's reception for a number of recent deals has remained

disappointing. "Investors have been flooded with supply and are now holding back," said the banker at CIBC Wood

Analysts said recent issues by the World Bank and EIB, which met a lukewarm reception, had failed to take market conditions into account

There was nothing wrong with the absolute level of pricing, but there was nothing left on the table either, said one banker. "In these market conditions, issuers have to give some kind of

concession to investors." With swap spreads tightening slightly in recent days. the incentive to issue bonds has waned. Meanwhile. investors' appetite has been fuelled by comments from Alan Greenspan, US Federal Reserve chairman, who recently hinted that the fall in inflationary pressures could lead to deflation in the US economy.

"The 'deflation' comment has really injected some bullishness into this market." one analyst said, "The conditions are just about right for issuance to resume as long as borrowers do not flood the market again.

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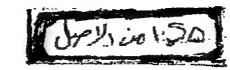
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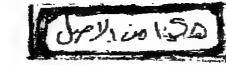
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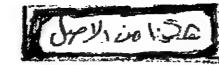
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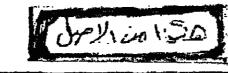
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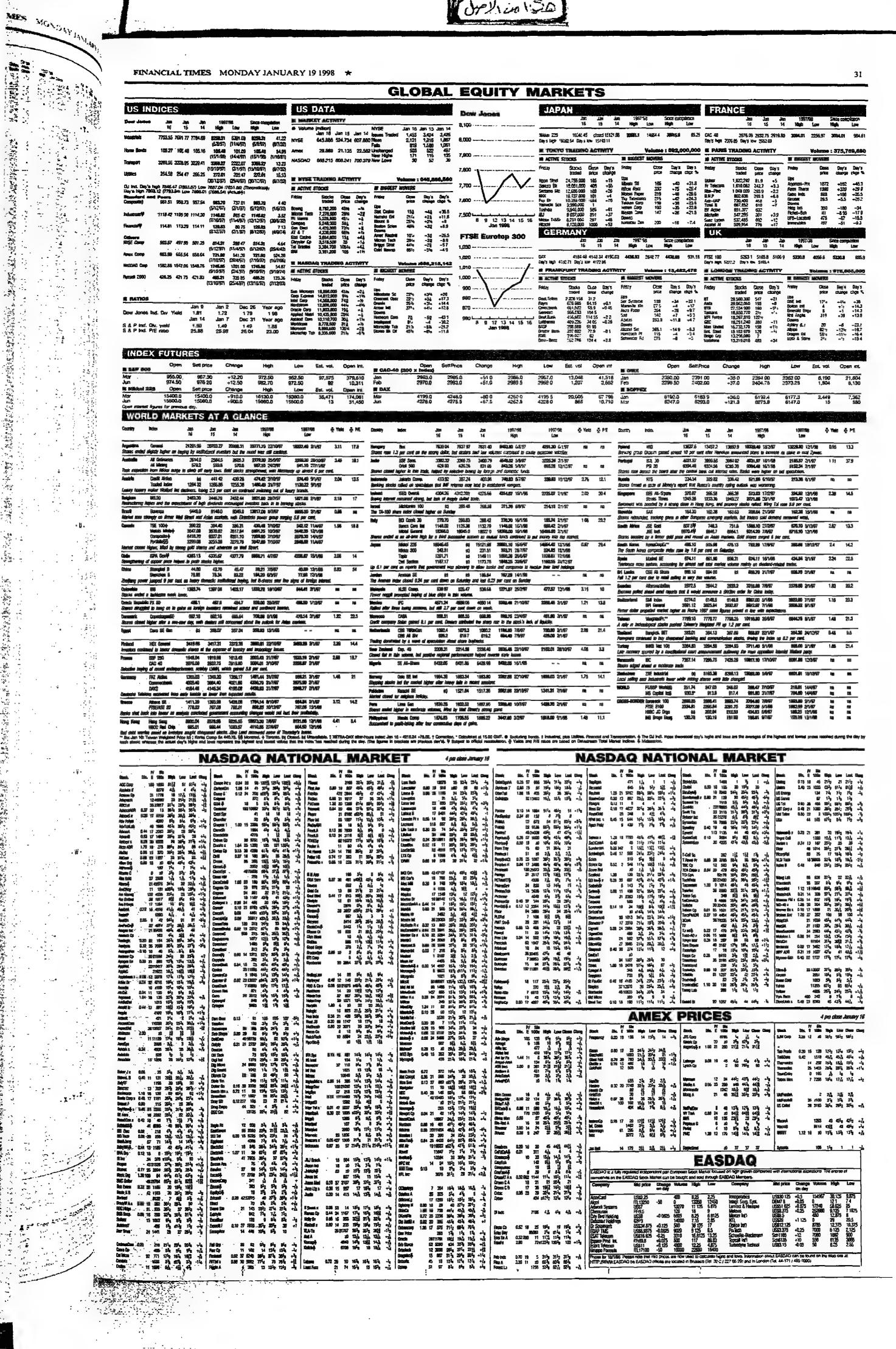
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Pinning down the Emu

European finance ministers meet in Brussels, with Gordon Brown, the UK chancellor, as chairman, to discuss issues raised by monetary union, notably the Italian budget - a topic of particular sensitivity since Italy's bid to join the single currency has provoked more controversy than most. However, ministers will be careful not to anticipate the decision scheduled for May on which countries are eligible for Emu. Other matters to be discussed are the priorities of the UK presidency of the European Union, the timetable for monetary union, denominations and technical specifications of euro coins, and measurement of financial intermediation services within countries' national accounts.

Health matters

The nomination of a new director-general to succeed Dr Hiroshi Nakajima of Japan will be the main item on the agenda of the 32-member executive board of the World Health Organisation at its meeting in Geneva (to January 28). Dr Gro Harlem Brundtland, former Norwegian prime minister, is thought to be the front runner in a six-strong field. Apart from the nomination, to be announced on January 27, the executive board will discuss a draft global health policy for the 21st century and WHO reform.

Euro-Arctic talks



The Barents Euro-Arctic Council of foreign ministers from the four Nordic countries and Russia is meeting in

Lulea, the capital of Swedish Lapland, for two days of discussions on trade and environmental issues in the Barents region. Hans van den Broek, the EU commissioner for foreign relations, will attend together with representatives of the European Bank for Reconstruction and Development and the World Bank. It is the fifth meeting of the Barents Council since its formation five years ago. Observers from countries including the US, the UK, Japan and Germany are also due to attend.

Recruit result

The Tokyo high court is expected to reach a decision in the case of former vice-education minister Kunio Takaishi, accused in the Recruit shares-for-favours bribery case.

Heip for the heipers

Experts in humanitarian law meet in Geneva to discuss the protection of staff of humanitarian organisations and the appropriate response to armed conflicts in the context of disintegrating state structures. The week-long meeting hosted by the Swiss



Both president Fidel Castro and Pope John Paul II insist there is nothing political about the pontiffs first visit to Cuba

government, which acts as depositary of the Geneva conventions that protect non-combatants in times of war. follows a spate of attacks on aid workers in recent years. Also in the spotlight will be the increasingly brutal nature of today's armed conflicts which often deliberately target civilians.

Hague tribunal

The trial of Serb Slavko Dokmanovic. former mayor of Vukovar charged with involvement in the murder of 260 Croat men taken from the town's hospital in November 1991, begins at the UN war crimes tribunal in The Hague.

Inspection team

The Japanese finance ministry's financial inspection department, banking bureau and international finance bureau meet US officials led by comptroller of the currency Eugene Ludwig to discuss financial inspection issues in Tokyo.

FT Survey Business Education.

Holidays

US, New Zealand.

TUESDAY

20

Something in the air Japan and the US hold vice-ministerial talks on a revision of their 1952 ilateral aviation agreement in Washington. The two nations appear to be closer to an agreement on ways to liberalise the Japanese market: specific measures on expanding code-sharing.

beyond-rights and airport slots are on the table. According to US sources, Japan and the US will set the stage for a four-year transitional agreement with a provision for further negotiations in the fourth year aiming further to liberalise flights between the two nations and to third nations.

Disarmament talks

The Geneva-based United Nations Conference on Disarmament. responsible for negotiating a comprehensive nuclear test ban treaty in 1996, holds its first plenary session of the year. Its 61 members will be hoping for an early end to the deadlock that prevented the conference from doing any substantive work last year. Topping the western agenda are negotiations on a global landmines ban and an end to the production of weapons-grade fissile material – but developing countries have held up these talks by insisting on parallel negotiations on complete nuclear disarmament which the nuclear powers have refused.

Defence moves

US defence secretary William Cohen ends a visit to China and goes to Tokyo for a meeting with prime minister Ryutaro Hashimoto and defence minister Fumio Kyuma. He travels to Korea on Wednesday.

Chewing the fat

THE PARTY OF THE PARTY OF THE PARTY ECONOMIC DIARY.

This month's meeting of agriculture ministers in Brussels, under the chairmanship of Jack Cunningham, UK agriculture secretary, will be confined to one day rather than the usual two. Up for discussion will be proposals by the European Commission to meet

World Trade Organisation objections to the way the EU imports bananas, and a ruling by the WTO last week on the EU's fight with the US over beef-treated hormones. The British presidency will also spell out its objectives for the six months ahead.

Peace fund

The World Bank launches the \$100m Peace Technology Fund, an investment fund for the Palestinian autonomous territories. Signatories include Palestinian leader Yassir Arafat, Shimon Peres, the former Israeli prime minister and World Bank president James Wolfensohn.

Ceasefire hope

Leaders of the opposing sides in the long-running civil conflict in Papua New Guinea's island of Bougainville meet for talks on formalising a ceasefire in Christchurch, New Zealand.

Czech post

Vaclay Havel, the former dissident playwright, faces re-election in the largely ceremonial role of Czech president by members of both houses of parliament. Mr Havel has been president of first Czechoslovakia and then the Czech Republic since 1999, and is the overwhelming favourite to win a second five-year term. He is likely to face rival candidates nominated by the Communist party and the far-right Republican party, but he is officially backed by all the other main parties. However, he is not certain of winning the required majority in each house in the first round and there is also a possibility that the Republicans may obstruct the vote. Mr Havel, 61, had

part of one lung removed last year, but has had to play a more active role in politics in recent months after the government collapsed in November.

Political view

A delegation from the European Union, Organisation for Security and Co-operation in Europe and the Council of Europe visits Albania to observe political development there.

Holidays .

Brazil, Iran.

WEDNESDAY 21

Papal visit

Pope John Paul II pays a five-day visit to Cuba, his first to the communist-ruled Caribbean island. The visit is the result of an improvement in relations in recent years between the Catholic Church and President Fidel Castro's Communist party government, easing the mutual hostility of the early years of the 1959 Cuban revolution. Some 3,000 foreign journalists and at least 14,000 pilgrims and other visitors, including a contingent of Cuban exiles from the US, are expected to converge on the island. Both the Vatican and the Cuban government have been seeking to dampen speculation that the Papal visit will produce concrete political results, such as a thaw in US-Cuban relations or democratic changes inside Cuba. Both sides stress that the visit is pastoral in nature. But the Catholic Church is certainly hoping the visit

FT Survey

Indian Power.

expansion of its activities.

THURSDAY

will strengthen its position in Cuban

society and open the way for an

Complaints

The World Trade Organisation meets in Geneva to consider three requests for dispute panels. Two of these relate to complaints brought by the US. one alleging unfair subsidies for Australian manufacturers of leather for car seats and the other charging Ireland with breaches of WTO rules on copyright protection. The third is a European Union complaint against South Korean restrictions on dairy products.

Cape crusader

The space shuttle Endeavour is scheduled for take-off from Cape Canaveral, Florida, for rendezvous and docking on Friday with the Mir space station where US astronaut Andy Thomas will replace David Wolf.

Farm forum

An international agricultural forum on EU farm policy and world trade is held in Berlin ahead of the new Word Trad Organisation round of trade talks, organised by German farm union DBV. Speakers include EU farm commissioner Franz Fischler

and representatives from European ... agriculture ministries and farm unions.

Baitic exchange

Eleven heads of state and government of the Council of Baltic Sea States including German chancellor Helmut Kohl and Russian prime minister Viktor Chernomyrdin meet in Riga to discuss co-operation to combat crime, drug smuggling and illegal migration.

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Opting broader outlook

Last war treaty

Japan and Russia hold a deputy foreign ministerial meeting to discuss ways to conclude a peace treaty that would formally end the second world war.

FT Survey

FRIDAY

Olympic flame The Olympic



flame arrives in Nagano prefecture after n 18 day journey around Japan The flame will then travel to 120

cities, towns and villages in the prefecture via three separate routes and be united into one flame at the opening ceremony on February 7. The flame has accidentally blown out several times on the way.

Central Europe summit

The presidents of Ukraine, the Czech Republic, Italy, Hungary, Germany, Poland, Austria, Slovakia, Slovenia, Bulgaria and Russia meet at the fifth annual summit of central European states in Levoca, Slovakia.

Global Investment Banking,

FT Survey

Holidays

Bangladesh. SATURDAY

Chirac visits India

French president Jacques Chirac visits Bombay and holds talks with Indian... president Kocheril Raman Narayanan and prime minister Inder Kumil Guiral. He goes on to New Delhi on Monday for India's National day celebrations.

Let's have launch

The Khrunichev Space Centre in Moscow unveils the first segment of the Alpha international space station to be sent to the Baikonur launch site in Kazakhstan. The leunch is scheduled for later in the year.

Compiled by Roger Beale. Fax: (+44) (0)171 878 3196.

Other economic news

Monday: UK public sector borrowing for December is expected to show a further small improvement on a year earlier. The first "windfall tax" payment is due, adding £2.6bn to receipts. Tuesday: Moderate M3 money supply growth in Germany for December should still be below 5 per cent. Germany's trade balance is likely to remain posttive thanks to strong exports.

Wednesday: The US balance of payments deficit for November is likely to widen, following the relatively sharp \$1.5bn contraction in October. Japan's trade balance may see another Y1bnplus surplus. UK retail sales for Decem-

include the start of the New Year sales period. Thursday: Housing starts in the US are expected to have reached around 1.5m for the fourth consecutive month, thanks to mild winter weather.

ber are also published, and

Friday: German consumer price rises are predicted to be weak this month. reducing the chances of a Bundesbank interest rate increase.

Statistics to be released this week

Dey Released	Country	Economic Statistic	Median Forecast	Privices Actual	Day Released	Country	Boonamie Blufistic	Median Forecast	Previous Actual
Mon	Japan	Nov machnry ordra ex-elect & ships"	-10.0%	-14.3%	Jen 22	US	Dec housing starts	1,52m	1.53m
Jan 19	Japan	Nov machinery orders ex-elect & ships	4.795	16.3%		US	Dec building permits		1.45m
	UK	Dec public sect borrowing requirement	£300m	62.3bn		US	initial claims Jan 17	325k	3356
	Canada	Dec leading indicators†*	0.5%	0.6%		US	State benefits Jan 10		2377k ·
Tues	Germany	Nov trade balance	DM11.3bn	DM10.9bn		US	M1 week ended Jan 12	\$-7:3bn	\$9.6bn
Jan 20	Germany	Nov current account	DM0.Gbn	DM-5.0bn		US	M2 week ended Jan 12	\$-2.8bn	\$8.8bn
	UK	Dec vehicle production		NA		US	M3 week ended Jan 12	\$0.1bn	\$15.1bn
	Canada	Nov manufacturing new orders	0.5%	2.1%	Fri	UK	Q4 prelim gross domestic product***	0.6%	0.8%
	US	Bank of Tokyo-Mitsubishi Jan 17		0.3%	Jan 23	UK	Q4 prelim gross domestic product**	3.3%	3.7%
	US	Redbook Jan 17		1,9%		Canada	Q4 housing starts†	152k	148.7k
Weds	Japan	Nov industrial production;		-4.1%		Canada	Nov retail sales†"	0.6%	0.3%
Jan 21	Japan	Nov shipments†		-5.3%		US	Dec treasury budget	\$19.0bn	-\$17.3bn
	Germany	Dec Ifo west business climate index	98.6	99,1	Sat	Taiwan	Dec M2"		7.30%
	Germany	Dec to west balance format		3.5	Jan 24	Melerysia	Nov manufacturing sales"		16.1%
	ŲK	Dec retail sales*	D.5%	-0.4%	During 1	the week	•		
	UK	Dec retail sales**	6.1%	4.6%		Germany	Dec producer price index*	-0.1%	0.0%
	UK	Dec M4"	0.5%	0.8%		Germany	Dec producer price index**	1.1%	1.2%
	UK	Dec M4**	11.5%	10.5%		Germany	Dec M3 from Q4 96 base	4.6%	4.7%
	UK	Dec M4 lending	£4.0bn	£7.2bn		China	Q4 gross domestic product	9.4%	8.0%
	US	Nov trade: goods & services	-\$10.2bn	-\$9.7bn		Germany	Dec import prices	-0.2%	0.3%
	US	Nov goods & servs export (bal of pay)	\$79.9bn	\$80.0bn		Germany	Dec import prices**	2.0%	3.1%
	US	Nov goods & servs import (ball of pay)	\$90.1bn	\$89.7bn		Italy	Dec balance of payments		LO.8tr
	Carrada	Nov wholesale trade†"	0.9%	1.8%		italy	FX reserves		L129tn
	Japan	Dec trade bal (customs cleared) not†	Y1.36th	Y870bri		Italy	Dec total bank lending		4.5%
Thurs	France	Nov industrial production†"	-1.2%	3.3%	מוז מם ושופחו"	ontin, "year on	year, *** on on otr, † seasonally adjusted 3	Statistics, Standard	å Poor's MM

- ACROSS
 1 Eating disorder (11)
 7 Successful strike? (3)
 9 Stand-in copper arrested by acting Herbert (5)
 10 Vibrations scare none away
- 11 Manipulate saw: do it on
- tree (9)

 12 Nobody's heading into the distance with the AA (5)

 13 Names brought about by perfect recall? Hardly! (7)
- 15 Don Juan scrapes together
- anything loose (4)

 18 Clouds moving, look out as clouds move (4)

 20 Strip empty box? (7)

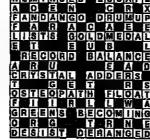
 23 Boy, some like it hot! (5)
- 24 Improper date lurer? (9) 26 Check carriages in repose
- 27 Large breast sizes featured in repellent tabloid perhaps? (5)
- 28 O for the endless river (3) 29 One's bananas, bananas needed to enter Brazil? (11)
- DOWN 1 Massive deficit in fuel (8) 2 Addiction to cigarettes fills one bed in nine (8)
- 3 Take hands off peacekee-
- per? (5)
 4 Climbing apparatus, therefore to be seen in mountain
- climbing (7)
 One with privileged access
 to information gets the bat-
- ting team runs (7)
 6 Terribly right! One monk's habit absent here (3-6) 7 Name of composer we hear?
- 8 Ancient city backstreet accommodates goddess (6)
- 14 Tea bag goes first, right in sugar (9) 16 Breakfast time? (8)
- Charges with the responsi-bility of making test runs
- 19 Frank perhaps wants ambush set up, then it's
- organised (7) 20 Token riposto (7) 21 Slippery slope providing awful risk to one in Gren-oble? (3,3)
- 22 Runs out of gas, the Spanish fuel (6) 25 Note on doctor's prescrip tion maybe? (5)

WINNERS 9,584: B.M Aish, Warlingham, Surrey, winner D. Oram, Brookmans Park, Herts; P.C.K. O'Ferrall, God alming, Surrey, Mrs M. Scott, Sidcup, Kent,

MONDAY PRIZE CROSSWORD No.9,584 Set by BATS

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of £40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday January 29, marked Monday Crossword 9.584 on the envelope, to the Financial Times, 1 Southwark Bridge, London SEI SHL. Solution on Monday February 2. Please allow 28 days for delivery of prizes. for delivery of prizes.

Solution 9.572



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FINANCIAL TIMES SURVEY

BUSINESS EDUCATION

Europe's MBA schools are responding to calls for the promotion of a world view in business. Della Bradshaw reports

Opting for a broadened outlook

His most obvious choice recruitment quotas. would have been to attend tainchleau, near Paris.

FT Survey

Contral Europe sum

IT Survey

Holionys.

China visits India

Cathy have launch

t or fiction?

non-profit division of AT Rearney, he has no doubt sion. "Going to a US school in the US. Insead opened the door for me in Europe." With Insead commanding a grow- Many big organisations ing reputation in the US he are altering their recruitsays he could easily get a job of commensurate status if he returned to the US.

The advantage has been The huge mix in nationality of both students and faculty means that the curriculum taught at Insead is intrinsically international in perspective, he says. Mr Rierson believes the outlook offered by Inseed is what businesses seek from their managers today. "Four years ago you didn't hear about all these global issues but now if you listen to the people who are recruiting, what they want are global managers.

While European business schools have traditionally been seen as the poor relations of their US rivais, these

In 1993 Brett Rierson, a days US companies are manager from Milwaukee, increasingly looking to decided to study for an MBA. Europe to fill their MBA

Initially their requireone of the big US business ments have been for MBAs schools but he chose instead living in Europe to stuff to attend Insead, in Fon-their European offices, says Kal Denzel, IMD's director of Today, based in London admissions and career serand now vice-president for vice. "They are beginning to the international arts and realise that rather than recruit MBAs in the US and send them across, or going that he made the right deci- to the expense of relocating existing managers from the would have helped me work. US with their families, there are better qualified people over here already."

ment lists, she says, instead of recruiting at the 15 top US business schools they are looking at 10 US schools and more than just geographical. a handful of European

In the past year, US recruitment has gone one step further, notes Ms Denzel. Seven of the graduating class of '83 at IMD were offered jobs in the US, and only three of the candidates were Americans, "The challenge is to get a US recruiter to come to IMD and say they want to recruit for Europe. the US and Asia," she says. The trend is particularly

noticeable in sectors which are strong recruiters of MBAs, noticeably consultancy and hanking. In the past two years the Wall



Street recruiters forum, in which America's biggest banks brief business schools on their requirements for MBA graduates, has invited career development officers from some European schools to attend, alongside a score

of their US peers. Increasingly the profile of staff sought by banks reflects a more European or international perspective. says Tony Summers, director of career planning at the Erasmus graduate school of business at the Rotterdam School of Management. "One bank went as far as to say it was considering whether to insist that its recruits speak two languages.

...With most European

schools eager to increase the proportion of their foreign students - for sound academic as well as financial reasons - most of them can easily outstrip their US counterparts in an international student headcount.

A look at the top regional schools in the UK serves to prove the point. At the University of Bath 50 per cent of the intake on the full-time MBA programme is from outside the UK: at Nottingham university school of management and finance the figure is 65 per cent; and at Lancaster university manare from overseas. The international bias, however, does not extend to the faculty. -

By comparison, the vast majority of faculty from the bigger international schools are foreign nationals. At fusead, for example, only 15 of the 100 faculty are French and more than a quarter of from the US. In all, 24 differ-

sented on the faculty list. At IMD, in Switzerland, the figures are equally international: only five of the 43 faculty are Swiss. Again the largest contingent - 10 - is from the US.

ent nationalities are repre-

At London Business School 54 per cent of the faculty are from outside the UK. In 1989 the percentage of non-UK faculty stood at just 20 per cent. At Erasmus, 50

per cent of the faculty on the MBA programme are Dutch, the other 50 per cent from

While it is hard to think of any top-ranking US business school that has a dean from outside the US, Europe's three most prestigious schools have until recently all had overseas principals. Insead's Antonio Borges is from Portugal, IMD's Peter Lorange is from Norway and George Bain at London Business School (who left in December) was Canadian. Even the replacement principal at LBS, Briton John Queich, who will take up his new role in the summer, has spent all his career at North

As to Mr Rierson, he was by no means the only US respondent to the FT survey of European MBA graduates* who valued the inter-

national education available at a European schools. Tara Whitehead returned to the US to work as a management consultant for the IBM Consulting Group in Atlanta, Georgia, after completing her MBA in the Netherlands at Nijenrode. Her decision to study at

Nijenrode was due to a wish to distinguish herself from the thousands of other MBA graduates who flood the US job market every year. She believes American managers considering an MBA degree are limiting their options if IN THIS SURVEY

FT Guide to European MBAs:

Survey results: What 757 MBA graduates have to say about their programmes

Company sponsorship:

The top MBA schools in Europe: A review of the best schools Pag

investment banks and management consultancy: The two biggest recruiters of MBA graduates Page 4

Part-time degrees: Does this alternative deliver the

Business

Education:

Distance learning: An alternative to conventions MBA study

Share dealing: Some schools have built trading rooms to assist the study of financial markets Page 6

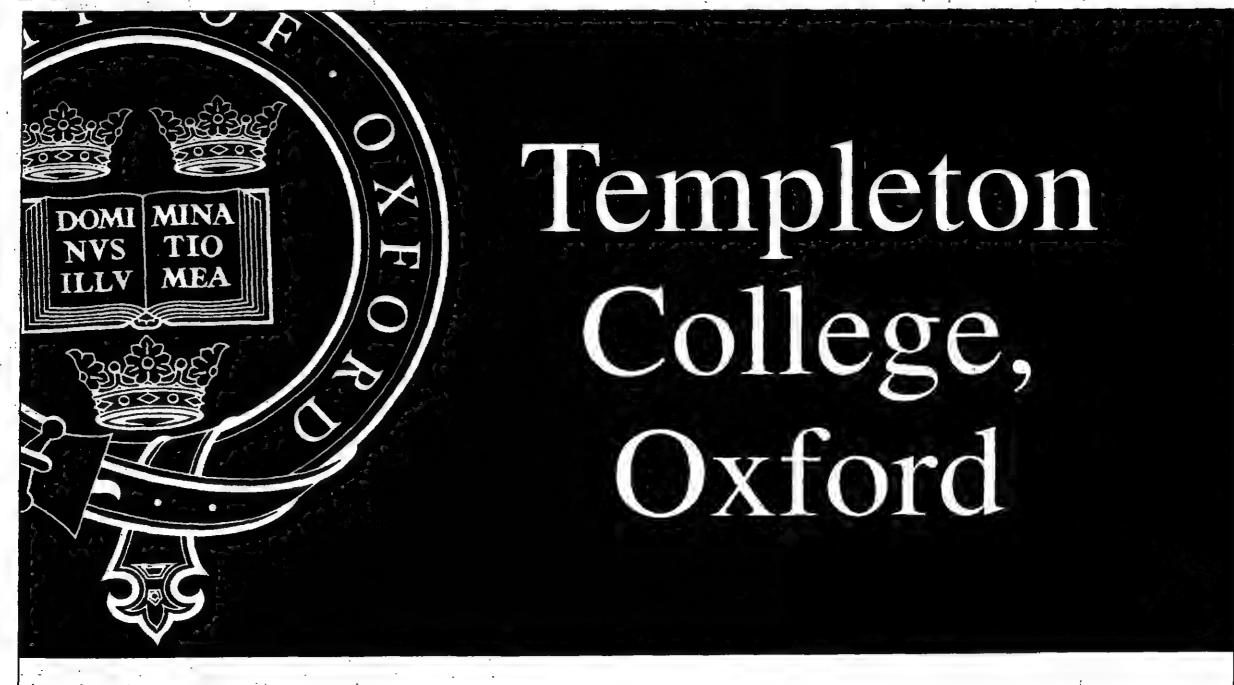
The general manager: Making the leap into executive positions Page 7

Profiles: Essec, Yale School of Management and University of Capetown

they do not investigate pro-

grammes outside the US.
"What I really valued about the course was that you could take the programme and put it anywhere in the world. It had international students and faculty and visits from international executives." Moreover, she says, it enabled her to spend a year overseas, "it gave me the opportunity to look at my own country from a completely different perspec-

*The FT survey, reported on the next four pages, looks at the career progression of more than 1,200 MBAs who graduated from European



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passport to progression

There is value to be had from gaining an MBA but attending the right school helps

An MBA degree, long regarded with suspicion by employers and would-be students alike, is now proving to be of real career value to thousands of European grad-

The FT survey of 757 full-time MBA students who graduated in 1994 showed salary increases of 92 per cent over a four to five year period. Before studying for their degrees only four per cent were at director level and one per cent were financial directors. Three years after graduation, 16 per cent are directors and three per cent are financial directors.

Today, a typical MBA graduate of 1994 is male, 33years-old and could well work for an industrial company. He will probably earn around £52,000 and is just as likely to have studied overseas as at home.

Although this is the average, the survey revealed some surprisingly high salaries, particularly in banking and consultancy. Of our sample, two MBAs, one from Insead and one from London Business School earned over £300,000 a year. A further three, from IMD, Jese in Barcelona, and Warwick Business School, earned more than £200,000 a year. Nearly 40 students, all in their early thirties, earned more than £100,000 and almost all come from the five schools mentioned previously.

But the disparity between the best business schools in Europe and the worst is painfully obvious. The FT survey looked at just 46 schools which had been accredited by one of the three accreditation bodies that work across Europe. The difference between the percentage salary increases earned by the alumni of the top five of those schools and the alumni of the bottom five is significant.

Alumni from the five top schools had percentage salary increases of 147 per cent over the four year period and saw their salaries actually rise by £32,716. The bottom five saw their salaries rise by just 44 per cent over the same period, with actual salary increases of just £11,517.

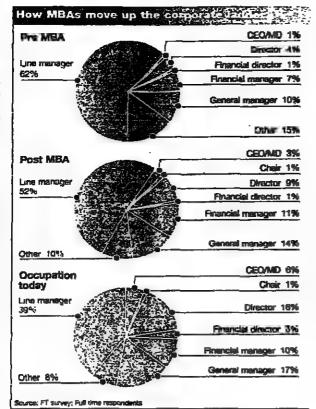
Yet, these 46 schools are the best of the bunch. In total there are more than 200 MBA programmes on offer in Europe, more than 120 of them in the UK alone, offer-

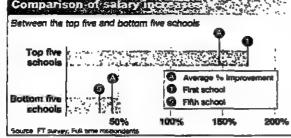
ing a range of courses. The message from all this is to choose your programme carefully. It was noticeable from the comments made by the respondents to the FT survey that euphoric responses came from the more prestigious schools. Alumni from other schools said that employers often overlooked MBAs recipients from the smaller schools. As

WOMEN

MANAGEMENT

SCHOLARSHIPS





spent a long hard year doing my MBA and it was of enormous value to me at a personal level. But prospective employers weren't interested. I wish I'd gone to

For women, too, the MBA has not proven to be the career panacea. Although they are earning only marginally less than men on starting their courses, and their first jobs on graduation are comparable, three years after graduation their salaries are woefully adrift of their male counterparts. One

included: The MBA "opened doors"

one respondent put it: "I reason is that the MBA gave many the confidence to work part-time or become self-employed while others opted for

family or career breaks.

There is also a significantly

higher proportion of women

who migrate to or stay in

the public rather than the private sector. However, for those who did graduate from 50 or so schools featured in our survey there was a surprising uniformity in the benefits they believe they have Comments accrued.

to a wider range of professions. In particular it enabled many technical managers to move from a line manager role to that of a general role. Our survey showed that before the MBA 62 per cent of respondents described themselves as line managers. On graduation that figure had dropped to 52 per cent and by today, three years on, the figure has the same period the propor-

> A graduate's view: 'I've changed in dimensions to a new industry, a new role and a new location.'

risen from 10 per cent to 17 The MBA was a vital

stepping stone for people who simply wanted a change of career. In particular it was seen as a vital component for those who wanted to move into banking or consultancy · Many MBAs who worked

in large corporations or in the public sector, such as the health service, felt an MBA was a vital component for a move upwards in their own A proportion of the respondents simply wanted

the know-how to enable them to do their existing jobs more effectively. Almost all the students who studied overseas, and some who studied in their

home country, commented

on the international exposure they enjoyed. For some alumni the course provided all the benefits rolled into one, as for one Australian graduate from IMD, now a consultant earning \$100,000 (£61,350) a year. "The MBA has enabled

me to change in three

dimensions: industry (from

telecoms carrier to consult-

ing); role (from marketing to business strategy) and geography (from Asia Pacific to Europe). The combination of the three has been the key generator of benefits

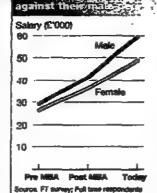
As to the skills they learnt on the course, the students were surprisingly uniform in their assessment. The courses gave them:

personal confidence networking skills an international perspec-

and the ability to learn

other languages On a personal level almost all respondents mentioned the friends and business networks they had made on the course. Several even met their spouses in the same study group!

Many of the students commented that their MBA course was the best thing they ever did; others were less sure. In particular many felt an MRA, though widely ecognised in the multing-



tionals. was largely undervalued in smaller companies. Older students, particularly those over the age of 40. were less optimistic.

Others warned that an MBA might get you the interview and that employers were more willing to take a risk by employing someone with an MBA. However. once you had the interview it was your other attributes, and particularly your relevant work experience. that secured the job. "The MBA is a passport, not a meal ticket," as one alumni commented succinctly.

COMPANY SPONSORSHIP . by Parminder Bahra

The pros and cons of assistance

Financial aid can be a doubleedged sword for students and employers

The cost of financing your MBA could set you back between £10,000 and £100,000. Add to this the opportunity cost (salary loss) and you could be looking at figures in excess of £140,000 for a year's study as was the case for an American student attending Insead.

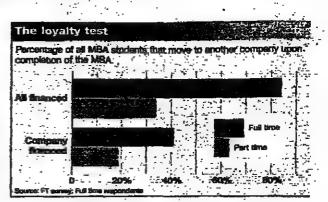
A cheaper way of gaining your MBA is to do it part-time (see article on page five), but this means simultaneously holding down a full-time job, and taking at least twice as long to graduate. Cheaper still, get your employer to sponsor you, paying up to 100 per cent of fees and contributing towards maintenance during the course. It is more likely that firms will sponsor employees on part-time courses rather than full-time. Of the total part-time returns, 57 per cent were company spon-

sored compared to only 15 per cent of full-time returns. For the prospective student, sponsorship provides the route to professional development and promotion with minimal risk. For firms, however, this is a large outlay and what employers need to know is the likelihood of employee gaining an MBA and moving to another company. The FT survey results provide interesting reading for human resource managers and sponsors. In the case of full-time students, 40 per cent of company sponsored graduates changed employer upon completion of the MBA. This is considerably lower than the figure for all full-time

graduates (see table), regard-

less of their source of

finance, but provides cause



for concern to sponsors. Three years on, 66 per cent of sponsored employees had

The part-time figures provide more comfortable reading. Only 19 per cent of company sponsored graduates moved to a different employer on graduation. But three years on, the figure had risen to 64 per cent. Generally, part-time students show more loyalty,

with only 34 per cent of all graduates, irrespective of their type of financing, moving to different companies. after completing the MBA. This may be a reflection of the profile of our part-time MBA students. The average age of part-time respondents at the start of the course was 35, whereas the equivalent full-time figure was 29... Part-time students are more likely to have dependants, require more stability and hence are less inclined to

all part-time students, 15 per cent were in this sector comprising mainly local government and health author ity employees. Only 16 per cent of these graduates changed employer after the MBA. Even then, nearly all (96 per cent) stayed in the non-profit sector. The same percentage were still in this sector three years after graduation, although the percentage of graduates who had never changed employers had fallen to 56 per cent. This suggests that the nonprofit sector is beginning to value the skills taught within MBA programmes, not the exclusive to the commercial sector. Says a local government employee: "The MBA is now seen in my organisation as essential. a prerequisite to progression'

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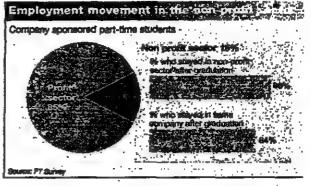
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The participants

Forty-nine European business schools, all listed below, agreed to participate in the FI-Guide to European MBAs. Some have full-time programmes, others part-time programmes, others both. All the schools participating in the survey are either taking part in the European-wide accreditation process run by the European Federation of Management Development (EFMD), in Brussels, or have MBAprogrammes which are accredited by the Association of MBAs; in London; No European schools accredited by the American accreditation body, the AACSE, fit." the profile for the survey. In the final analysis, alumni from forty-six of the schools took part in the survey.

- Belgium: Katholieke Universiteit Leuven.
- England: Ashridge Management College, Aston Business School, University of ... Bath School of Management, Birmingham Business School, Bradford Management Centre, Bristol Business School, Judge Institute at the University of Cambridge, City University Business School, Cranfield School of Management, De Montfort University, Durham University Business School, Henley Management College, Imperial College Management School, Kingston Business School, Lancaster University Management School, Leeds University Business School, London Business School (LBS), Manchester Business School (MBS), Manchester Metropolitan University, Middlesex University Business 1 School, University of Newcastle School of Management, Nottingham University School of Management and Finance, Sheffield Business School, Sheffield University Management School, Warwick Business School, University of Westminster London Management Centre.
- Finland: Helsinki School of Economics and Business Administration.
- France: EAP European School of Management, EM Lyon (formerly ESC Lyon), ENPC, ESC Nantes Atlantique, ESC Paris, ESC Relms, HEC School of Management, IEP (Institut d'Etude Politiques de Paris), Insead.
- italy: SDA Bocconi
- Netherlands: Nimbes, RSM Erasmus, the Netherlands business school at Nijenrode University.
- Scotland: Edinburgh University Management School, University of Glasgow Business School, Stirling University, Strathclyde Graduate Business School,
- Slovenia: International Executive Development Centre (IEDC).
- Spain: Esade, Instituto de Empresa, lese at the University of Navagra.
- Switzerland: IMD

Additional research by Alice Hunt and Ned Denny.

Respondents said MBAs "opened doors" for the

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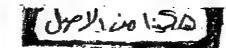
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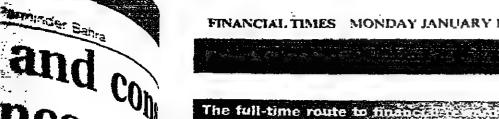
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IEP, institut d'Étude Politiques de Parer City University Business School

Cranfield School of Management

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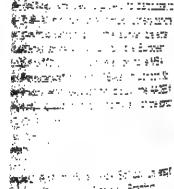
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BUSINESS EDUCATION: FR

% of, students nking jobs strend ²³	Simpleyment Simpleyment after course completion	Ave age of respondents at beginning of the course	Ave cost of study (noc lost salary)	Average cost (1997 prices) C	% of slumid using ed.p ⁽²⁾	profession of choice	Average % increase (*)	Pre MBA	Today selary
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55	. (198)	28	79,224	84,857	46	ŚG	174	25,369	£2,536
19	96	31	50,093	54,341	12	71	97	32.189	53 ,426
36	. 96	33	67,160	72,855	٥	73	66	33,664	55,207
20	95	30	46,950	50,932	71	6:	97	27,737	54,636
65	100	-30	53,102	55,763	- 13	32	91	28.425	54.123
30	190	30	51,837	54,434	8	54	52	33 927	51,715
5 · · ·	'n/a;	. 29	50,014	54,255	11	77	47	34.776	51.200
40	90	26	46,623	49.472	11	33	91	26,183	50,098
29	81, 1	. 26	58,206	63,142	33	67	137	20,634	45,955
40	95	27	38,399	40,745	11	61	132	20,405	47.256
41 .	100	28	47,070	49.428	3	35	72	26,237	45 fCa
38	97	26	57,691	63,749	50	44	133	18,725	44,683
40	90 '	. 28	43,531	50,336	24	43	72	21.601	37,178

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tor in determining which of Research the the schools deliver the highchoices before est percentage increases. The schools with the deciding where to youngest students, and go and how much therefore corners of the lowto spend est salaries at the outset. fared better in this regard Last autumn a reader of the vin percentage terms), Inter-Financial Times wrote to the estingly, the two year pro-

recruitment advertisement ness school and itse, rather than the one-year prowhich appeared in the newspaper. In the advert for a top grammes, scored highest. management position the In terms of the salaries carned by 1994 alumni today, applicants to have an MBA it is IMD that tops the charts. Again, age is a factor from one of three European business schools: Insead, because IMD students were, IMD or London Business on average, two years older than the students who stud-The author of the letter, ied with main rivals (Inscad himself a graduate of Erasand London Business mus, the graduate school at School), and therefore earn-

> ing more to begin with. The salaries that IMD participants relinquished in order to do the course averaged £39,797, more than alumni from Bocconi in Italy, or instituto de Empresa in Spain, had achieved even three years after graduation.

ble their salaries in just four or five years, there is a greater choice of reputable Other statistics also require careful interpretaschools than ever for the distion. City University, for example, tops the table when Just what determines the it comes to the proportion of final salaries and salary its full-time students that achieved their desired proincreases among schools in the table is more than just fession. However, City Uni- the course is estimated from the quality of the course. versity's strong links with the responses to the FT sur-

the highest salary MBA school on to mon LBS IESE MBS NUENRODE INSEAD grammes, from London busi-MD WARWICK CRANFIELD **EPASMUS** 2000 EAP BOCCONI 0. . . HEC

> ace: Fi survey, Full time in centre would inevitably attract students who wanted to move into finance and

banking. It is no surprise, then, that accordingly to respondents from the survey, City had the highest proportion of students of all who went into finance and banking: 40 per

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salary that a student has to forego to study. At IMD the cost is more than £71,000, a high price for a one-year course. But once the average annual salary of nearly £40,000 is removed the figure

When the opportunity cost cent (see table page 4). is removed the course at So, too, the cost of doing ead cost the 1993 intake £30,248 on average, while at IMD the figure was an aver-Age plays an important fac- the City of London financial vey by including the average age £34,410.

 Pre MBA salory high degree of loyalty felt for O Post MBA selary the school by alumni.

> work outside their own country on completing their MBA, several schools stand out. EAP, the European School of Management, with sites in several different European countries is one obvious choice. Of the big schools it is LBS that won approval.

is much more in line with While the powerhouse American business schools, often referred to as "MBA factories" are developing marketing strategies to differentiate themselves from

Where schools have a paid schools are by their very nature a diverse bunch. EAP is one of the smaller placement in the middle of the course - LBS, lese. Erasmus and Manchester Business School are four that do - participants can earn thou-

sands of pounds to offset against their tuition costs and living expenses. The comparative survey was carried out on schools where more than 20 per cent of the students responded to the FT questionnaire. Although a low return does not indicate anything about the quality of the course, a full-time MBA programme in high return may indicate a Barcelona.

The highest percentage return rate came from Warwick Business School, where more than 40 per cent of those targetted responded to the questionnaire.

For those who want to

While most schools are attached to state universities, two of the UK's bestknown schools, Ashridge and Henley Management College began as indepeneach other, the European dent management centres.

just 25 students on its full-time programme. Ashridge, had just 23 students in 1997 and the MBA Sciences Po programme at IEP has just 35 students a year. At the other end of the scale insead is regularly increasing its intake and in 1997 it took in 513 MBA particlpants. Jese took in 418 students last year to its

21,816

19,363

Some European programmes last two academic years, the same as most US business courses. Others last only 18 months and some just a year. Some schools have company placements at the end of the first year, others propel their students

straight into the job market. Insead and Erasmus take in two coborts of students a year, others usually have only one intake. Language requirements vary too. Many schools require participants to speak two languages, while many schools have bilingual programmes,

ANALYSIS The survey results

Assessing the rules of engagement

invited 30 schools who run wage inflation and stanaccredited full-time and part-time programmes (see table of participants on to show absolute values page two to take part in idirect conversion of local the survey. We did not currency salaries into sterinclude distance learning ling using an average courses because of the vari- annual exchange rates on ation in finishing times, the basis that it is difficult usually 35 years, and the difficulty in assessing the impact of the course on

cateer progress. The survey elicited Furthermore, the returns replies from 87 nationalities, resident in 65 countries around the world.

We asked respondents for stages, immediately before they started the MBA, after the MBA and today. The questionnaires were sent to alumni from 1994 and if the total intake for a single year was less than 100, the schools were invited to submu questionnaires to alumni from 1990 as well. Alumni were chosen for 1994 as it was felt that the three year interval would allow us to assess the value of their degree. Responses from earlier graduates would have reduced the

response rate. In total, 5.817 questionnaires were sent to full and part-time graduates. Of these, 1.302 were returned of which 1,224 were usable. This represents a return of 21 per cent. For the individual school analysis, only schools with returns in excess of 20 per cent were included. Therefore a school's absence does not in any way reflect its per-

formance. A study which involves international institutions, was sent to business employment migration, temporal effects and salaries will have to be assessed carefully. A comparison of students in different countries may be

Financial Times biased if no correction for dards of living is made. However, we have decided to make comparisons of wage rates because countries use different conventions in their calculations. were dominated by graduates in industrialised countries where inflation rates have been low and stable information from three relative to the 100 per cent plus improvement in salaparticipating schools.

> in using percentage change figures for the increase in salaries, the problem of living standard differences is reduced. Only those students that move between countries with sig nifleant living standard differentials will affect these figures. To accommodate this, we deflated the figures using GDP per capita data with purchasing power parity corrections. This produced a top five, in percentage improvement terms of and Cranfield, which reflects the percentages of students that take up employment outside their national countries However, we felt this to be a crude deflator and that the results were not sufficiently robust to warrant further analysis, largely because of the criticisms

> suggested above. A second questionnaire schools, and the data was used to complete the first

half of the full-time table. Parminder

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A boom for graduates

Competition for the next wave of top MBA students is fierce in these sectors

Management consultancies and investment banks have won the reputation as the two biggest recruiters of MBA graduates and not without justification.

Following cutbacks by management consultancies earlier in the decade, it is a sector now witnessing an unprecedented boom. With the demand for management consultants growing at a rate of 20 to 30 per cent a year, consultancies are looking for ever increasing numbers of newly-graduated MBAs to plug the gap in their pool of consultants. Today, management consultancies are undoubtedly the biggest single recruiters.

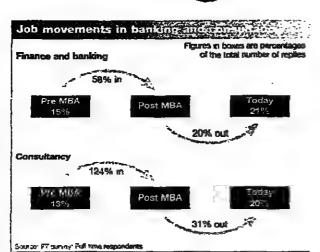
The number of new consultants needed to feed the \$35bn (£21.4bn) a year industry is compounded by the fact that many consultants often leave once it becomes clear that they are not going to make partner level.

As a rule of thumb, the big management consultancies expect eight out of 10 of their consultants to move industry within 10 years of joining the firm. (In the FT survey of 1994 graduates, 21 per cent of the total student body took jobs in consultancy on graduation. Three years later nearly a third -31 per cent - had already moved on.)

The result is that, internaeach year.

Not surprisingly, increased competition has resulted in escalating salary offers. These financial inducements make it hard for the newlygraduating MBA to resist the lure of the big consultancies. says Ian Godden, UK managing partner for management consultants Booz-Allen & Hamilton.

Mr Godden is responsible for interviewing between 100 and 200 potential consultants for his firm every year. "Despite everything they've learnt at business school about long-term financial planning they are lured by the short-term gain," he



established business schools for a 28 or 29-year old MBA average £55,000 to £60,000 a year, but on top of that there £15,000, enough to pay off the fees of many courses. Many students see the sign-on honus as a sort of belated sponsorship deal. admits Wendy Hall, career development manager at

The result is that traditional industrial recruiters have been forced to rethink the salary packages they offer to potential employees out of consultancy and into to compete with the consultants. Some industrial companies are even pondering the idea of sign-on bonuses themselves says Ms Hall.

As for the consultancies, they are having to spread their nets even wider to draw in the number of new consultants they need to support the business. Gone tionally, the big consultan- are the days when it was cles alone need to recruit enough to trawl a handful of some 2,000 new consultants big schools - Harvard, MIT.

The starting salaries Stanford and Wharton in the offered this year at the US and Insead in Europe. for example - to get the required numbers.

the course.

for example, recruits 75

MBAs globally, with 30 of those in Europe. Salaries for

new recruits are bench-

marked globally against the

big US banks, which this

year means a total starting

schools - Harvard, Warton.

gan Grenfell targets London

Business School, Insead and

Though an MBA is not a

prerequisite to becoming a

management consultant, it is

certainly a big advantage:

between 65 and 70 per cent

of management consultants

fication is largely required

by clients, says Mr Godden.

MBA is the business prac-

tices that the MBA instills.

MBAs carry the business

framework in their heads."

says Mr Godden. He adds

that insead undoubtedly pro-

duces the most effective con-

sultants of all the European

schools, a view which other

consultants acknowledge: in

1997 Insead's five biggest

recruiters were all manage-

But just as important is

the network of students

whom they meet on the

course. Not only do individ-

ual students move into posi-

tions where they might need

to employ a consultant, the

majority of business for

management consultants -

the figure could be as high

as 70 per cent - comes from

managers who themselves

ment consultancies.

The first advantage of an

package of \$120,000.

The beneficiaries bave been schools such as Cranfield in the UK and IMD in Switzerland, traditionally seen as recruiting ground for industry. At IMD the firms are particularly looking for consultants to work in specific lines of business such as pharmaceuticals.

Trying to spread the net to the even smaller schools would be prohibitively expensive, says Mr Godden. There are some great people at the business schools that don't get the ratings but as a commercial decision it is not worth pursuing these schools just for

The banks, too, are following a similar pattern. At the Erasmus school, in Rotterdam, offers by overseas banks, most notably London's investment banks, are swelling the sign-on salaries of its MBA graduates. The school estimates that many

went to business school. Although in the short-term management consultancy is seen as a lucrative option, in with its executive salaries and generous share options is likely to deliver the real financial rewards, says Mr Godden. One consultant who took this route and opted for industry is Archie Norman, chairman of Asda, and a Harvard MBA who did a spell at McKinsey & Co. UK Conservative party Wil-Ham Hague also worked for McKinsev for a spell Insead MBA and starting a William Hague, UK Conservative Party leader (left), and Aada

The schools which are strongest in consultancy, finance DOSE MEA London Business School London Business School 30 students are actually leaving Crambeld School of Manag the one-year MBA course with a salary double the one ASM. Erasmus they enjoyed before starting Souther FT Survey Deutsche Morgan Grenfell,

BUSINESS LEADERS' TOP SCHOOLS . by Della Bradshaw

The best for visibility

As well as the big US Europe's business leaders tell the FT MIT, Chicago, Stanford, Columbia - Deutsche Morwhere they studied - and

where they recruit

Location, fees and employment potential are all factors that come into play when choosing an MRA course. But it might be worth asking where the directors of Europe's biggest companies sought their

The maturity of most company directors means their youthful decisions will be an indicator of the quality of the business schools they attended twenty-odd years ago - rather than their quality today. Any information will inevitably be biased against schools which have reached prominence over the past decade - such as Warwick in the UK.

Nonetheless, the information does have contemporary relevance. If the guys at the top have a soft spot for a particular business school this is likely to influence the recruitment patterns of that company. Moreover, any would-be consultants might find it easier to find a job after attending the same school as the boss.

A study of Europe's top 100 companies* reveals some interesting statistics. By far the largest number of comthe long-term it is industry, pany directors surveyed attended the French school

Of the 60 members of the top management teams identified - at executive director or management board level - 11 went to Insead. Perhaps more importantly, these directors were spread across Netherlands, Switzerland and Germany between completing his France.

By comparison, of the alumni of London Business

School, where seven company board members were identified, four worked in the UK - the other three worked in Spain and Switzerland.

The Cranfield School of Management was cited by five board members, but all work in the UK. In spite of its reputation as an industrial - even "techie" - business school, two of the five directors with Cranfield MBAs worked in service companies and a third in the

Of the 23 directors identified with MBAs from US business schools, Harvard, perhaps unsurprisingly, hit the top slot with seven directors while Stanford and Columbia produced four directors each

Elsewhere there was a sprinkling of local schools providing directors for local companies. Iese. Esade and the Instituto de Empresa, in Spain, Henley and Manchester business schools in the UK. HEC in France, and Leuven in Belgium, were all listed. In Scandinavia the Stockholm School of Economics and Helsinki School of Economics and Business Administration were both represented as was the Graduate School of Business Administration in Zurich.

Strong local schools, feeding local businesses. also predominated in a survey of MBA employment patterns and requirements carried out among Europe's largest 500 commanies.4 Sixty-seven of the 500 com-

panies responded. Though the numbers represent anecdotal rather than definitive evidence of European industry's views on the different business schools, the responding companies were Newly-elected leader of the the continent, working at a self-selecting group: overcompanies in the UK, the all, those who responded were those who invest heavily training.

The companies were asked

Europe's directors Where Europe's directors oot. Rank School COUNTY TOTAL TRANS London Business UK Crambeld School UK of Mangament Standard

used to recruit MBA graduates from, where they sponsored students to study and which business schools were most heavily represented in their management teams.

Again it was Insead that swept the board across Europe followed by the usual suspects – IMD in Lausanne and London Business

The data is inevitably skewed on a country-bycountry basis, depending on the education system in place there. In Germany and

DON'T WORRY-IT'S



where MBA degrees are largely unheard of, there is little stomach for sponsoring students to study for them. Most managers there, as in France, have studied management through the traditional university system. Over the past five years

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the situation has begun to change, however. Kjell Angelid, senior management conmitant within the personnel group at Skandia Insurance. in Stockholm, notes a real growth in the number of courses in the region these days and an increased interest from younger employees for studying for an MBA. The names that came up

most frequently from Scandinavian companies were the Stockholm School of Economics and the Helsinki School of Economics and Business Administration. A glance down the list of

directors of most German or Scandinavian companies reveals a list of doctorates a mile long, but not an MBA Many French companies

list the local "grands ecoles" as their hunting ground. In the UK, which has most closely followed the US model on management education, companies both sponsor students and recruit quite widely from their local business schools. At a national level Cranfield, Warwick, Manchester, Henley and Bradford scored highly. In the Netherlands the names of Erasmus and Nijenrod were listed.

One interesting footnote is that while few companies are prepared to send managers to study in the US, at least one company used the Chicago part-time MBA programme, which takes place in Barcelona. * The companies surveyed

belong to the FT Euro 500 list thereof). These are the largest Ruropean companies by mar

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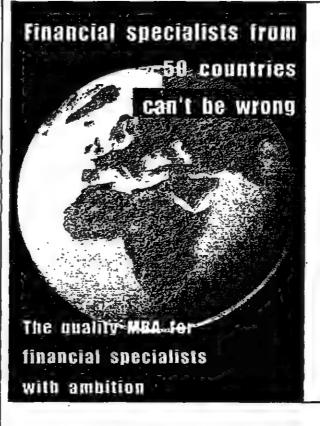
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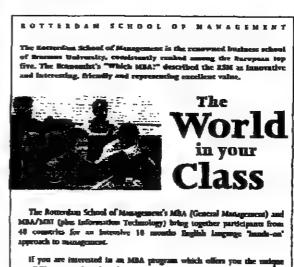
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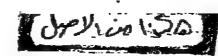
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Studying for an MBA degree is not cheap. With a full-time one-year course setting you back around £50,000 once fees, accommodation and the opportunity cost (a year without a salary) are included, the part-time option can look extremely attractive.

The core question is whether a part-time degree delivers the same long-term career benefits and whether employers treat them with the same degree of respect as the full-time alternative.

There is no definitive answer. At City University Business School, for example, the huge numbers of employees from the international banks in London swell the ranks of the part-time programme. Today, graduates from the 1984 City programme have an average sal-ary of £80,621. With the exception of the full-time programme at IMD, in Switzerland, no other alumni earn so much today.

Just how much their salaries would have increased without an MBA is impossible to gauge but most of the City respondents attributed at least some of the success to the MBA.

"The MBA allowed me to move within my company into the job I wanted," commented one 31-year old computer company employee, "I use the skills I learned in the MBA every day of my work-

An American banker now working in Singapore expressed a common theme, that the City MBA was very relevant to the banking industry. "For a career in finance the MBA is perceived as a licence to practice. Although the course

DISTANCE LEARNING • by Lisa Wood

Schools listed according to the :	solaries their al	umni eam today	(E)		
School	Study cost (1994 prices)	% improvement in salary	Average Salary pre MBA	Average satary upon completion of MBA (1994 prices)	Average selary today
Gily University Business School	12,667	- 118	36,993	49.331	80,621
Bath University School of Mgt (1)	NA	85	37,000	40,875	69,375
Warwick Business School	10,333	79	36,857	40,615	-66,143
London Business School	N/A	68	38,938	49,089	65,375
Crentisid School of Management	14,750	60	40,714	48,286	65,133
Kingston Business School	6,000	71	33,833	41,333	58,000
Cambridge University [2]	25,000	53	35,754	45,898	54,755
Bristol Business School (1)	13,833	68	28,025	33.368	47,158
De Montfort University (1)	5,500	79	23,538	30,336	42,053
HEDC, Slovenia (1)	8,569	113	14,027	15,906	29,844

itself was enriching, the confidence gained by attending and obtaining the MBA degree has helped me in my cureer progression."

But the City alumni are by no means characteristic. The profile that emerged of a typical part-time student was a thirty-nine-year-old man women are less likely to study part-time than men who began his MBA in his mid-thirties. He earns an average of £53.400 and has seen a growth in his salary of 74 per cent since begin-

Compared to his full-time equivalent he is older, on a higher salary at the outset and much more likely to be company-sponsored - 57 per cent of part-time students were company-sponsored

LBS

WARWICK

£78,224

258,206

250,093

n.a.

29,500

214,750

210,333

compared to 15 per cent of the part-timers is into confull-time students Starting an MBA later in life can bring its own prob-

Cell schools with a greater than 72's remainer rate these been stoketed in this light. 1 Includes alumni born 1983 and 1994 — 2 Figure represents the test greatening clare only from the Judge Institute in Combridge.

lems. One 46-year-old woman hospital administrator who studied at Durham believes she left it too late to exploit the full value from her degree, "I find it stressful to observe and have to negotiate with senior managers who possess little insight or creativity and in a system governed by process."

Like most part-time MBA graduates she chose to stay in the same profession after graduation. A satisfying 73 per cent of all part-time students stayed in the profession in the three years after graduation, compared to 45 per cent of full-time stu-

sulting: that percentage grows from six per cent to 12

per cent over the period. Part-timers do well in changing their job function. however. Three years after completing the course 22 per cent of them were directors, Again, this could simply be an indicator of the higher age at which part-time stu-

The biggest concern for many studying part-time was the quality of the degrees that were awarded. Because the part-time course has often been the domain of the new universities (old polytechnics) in the UK, many alumni said that employers were wary.

One 41-year-old public secdents. The only real shift for tor manager who studied at

London Business School
says his MBA helped him
achieve his current position.
But, he says. "As many man-
agers now have MBAs.
employers are dubious about
the quality of many institu-
tions. The name of LBS
allayed those fears."
T

For many, maintaining a full-time job and studying as well was one of the most difficult attributes of studying part-time. Reports of four hours sleep a night and weekends filled with coursework were not unexpected. Many part-time students warned of the dangers of trying to do a course without the support of employers.

As a footnote, two of the courses we have classified as part-time might be more correctly classified as modular The Judge Institute course at Cambridge University was set up following consultation with management guru Charles Handy. At first the class of 1994 were the first class to graduate with the degree - the programme was a sophisticated sandwich course combining acathe workplace. Today the Cambridge degree can be studied as a part-time or full-time degree course.

The other is the MBA run by the International Executive Development Centre in Slovenia. The school rocketed to prominence last year when it was included in the Equis accreditation process run by the European Federation for Management Development (EFMD), in Brussels Although the salaries commanded are considerably lower than that in western Europe, the percentage salary increase the course brings - at 113 per cent - is much higher than most.

Graduates from IEDC noted the same achieve-ments and problems as other part-time students. However they expressed an increased concern that the MBA

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GPEN LEARNING

new route to success

Distance learning can be a sound alternative to conventional MBA study

The growth of distance learning provides a convenient route to an MBA qualification, one which may appeal to a different sort of student than those who decide to undertake a more

traditional path. "An MBA obtained by distance learning is not a poor relation to that obtained by full-time or part-time study," says Mike Jones, director general of the UK-based Association of MBAs, a body which accredits MBA programmes at 49 of the world's top husiness schools.

Distance learning, sometimes called open learning, involves the students studying in their own time, using a variety of tutor-supported learning materials and possible short residential periods. Study can be undertaken for between two and six years and can be cheaper than for a full-time MBA. There is limited provision by schools

in the US and Australia. Strathclyde University claims that that it was the first UK business school to offer a distance learning MBA in 1998. Since then the number of schools offering the qualification and the number of students taking that route to an MBA have grown rapidly - making up about 20 per cent of the MBA 1996 intake in the UK, the last year for which figures are available. The largest provider is now the Open

University Business School. Big Employers such as Sony, Ernst & Young, Lloyds TSB, PowerGen. Ford and Glazo Wellcome all sponsor employees on distance learning programmes. Some employers, such as IBM, have largely switched their financial support from full-time MBAs to distance learning ones, and are pleased with the results.

tion accredits distance learning MBAs at only six of the 20 UK schools offering distance learning. They are

Durham University, Henley Management College, the Open University Business School. Warwick University, Strathclyde University and Kingston University. Accreditation of a distance learning MBA itself entails a school meeting strict quality criteria set by the associa-

tion which started the distance learning scheme about five years ago. Accreditation is necessary for students wishing to take advantage of a loan scheme offered by the association with Barclays Bank and the National Westminster Bank

schools," says Mr Jones. "But I am also sure that there are good quality distance learning MBAs at itation. We did not apply for schools we do not accredit. accreditation because many Some schools may not want of our students are from

As in any other field of accreditation by us, others overseas and the need for a study, however, there are may not have been offering variable standards of the courses long enough to

the quality of some distance dent considering studying ation of MBAs was not relection according by the banks and the Association of MBAs. The association according to the aware of the aw the accreditation system, which is a kitemark of qual-

> an over provision of MBAs and many employers believe that it is not just the qualification that is important but where you got it. Students who may be considering part-time study at a local school which is not accredited might consider doing a distance learning course at an accredited school."

Some schools offering distance learning MBAs which have not considered applying for accreditation in the past say they are now considering such a move. Bob Henry of the University of Wales, Bangor, which offers "We are concerned about a distance learning MBA in the standards at some association with the Manchester Business School, says: "We have no concerns about the criteria for accred-

Distance learning students can also have short residency periods at school

school to have accreditation. Asch, was not suitable for before a student could get a courses. Mr Jones and his meet our criteria. loan from the scheme offered by the banks and the Associkitemark is now becoming distance learning courses at significant in marketing a programme to potential stu-

David Asch, Dean of the Open University Business School, says that the profile and objectives of those taking full-time MBAs and those undertaking study via distance learning are quite

Students opting for dis-tance learning tended to be older than those taking full-time MBAs. They were

often in senior positions and management skills in their existing jobs while many students taking full-time MBAs wanted to improve their job prospects and change jobs. This is one reason why a survey by the Association of MBAs showed that salaries of those com-pleting full-time MBAs were higher than those undertaking distance learning and

those who were not well motivated as study at home UK schools drop out in their

The fact that students undertake study in their own time is a big attraction to employers, many of whom feel that even part-time study takes valuable employees away for too long from the workplace.

Most students undertaking distance learning MBAs are at management level - as at IBM. Maurice Mattison-Thompson, manager of management development in Europe for IBM, says that until 1993 the company tended to support full-time MBAs for a limited number of senior managers.

But, as the need for improved management at all levels had grown there had been a switch towards supporting a greater number of managers on distance learning programmes. "It is not possible to allow a swathe of managers to undertake full-time study," he says. Our decision to support distance learning programmes was based on the perceived need for the MBA qualification, the volume of candidates and the price."

This year IBM is sponsoring nearly 700 students on programmes offered by the Open University Business School. In 1993 there were only 25 employees on the programmes. The first cycle of IBM students completing the four year course have just graduated and IBM is pleased with the results. "Courses tend to be more practical than the full-time MBA, with study very much related to practice," says Mr Mattison-Thompson, "Individuals have ploughed back their skills into the workplace. As employers it is now up to us to offer them the opportunity to use fully

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INFORMATION TECHNOLOGY • by Vanessa Houlder

An appetite for high tech

The benefits of the computer age are useful to both students and schools

Information technology (IT) is no longer just another subject on the curriculum at As such, it is significantly of the typical MBA student.

computers to choose a school, to make applications, to register for classes, to study, to take exams, to find a job and, later, to stay in touch with the school and But the most sophisticated

IT applications go well beyond administrative functions. Harvard Business School (HBS), for example, has stepped up its investuses the Internet and World Wide Web technology to deliver materials and assignments and to provide on-line forums for students and fac-

dynamically generated. The server makes a web page with their specific assignments, classes and materials with hyperlinks to other useful pages. By using multimedia, the

case studies used for teach-

ing are becoming more vivid business school. IT has and instructive. An increasbecome an integral part of ing number of electronic most management courses, cases incorporate video sequences, "We are now able changing the day-to-day life to conjure up much richer images," says David Upton, It is now possible to use an associate professor at HBS. Electronic cases may also offer links to the web pages of the companies involved. Students can also use their PCs to vote on their preferred outcome to a case before the class begins. Harvard is also trying to

ensure that its links with its students continue after they have left. It is experimenting with many different "lifelong learning" projects, including ment in technology to set up chat rooms, bulletin boards structure to enhance learn- alumni to get access to the ing and communication". It latest information from the high-earning individuals. school

Harvard, like many of the other top schools, has introduced "lifelong e-mail" to help MBA students stay in touch with each other and The school's own web the school throughout their

mail address that students customised for the students can use throughout their careers, even when they

change jobs or open new e-mail accounts. All mail is forwarded to the chosen e-mail address. Typically graduates use the link from their school's Alumni Web page to change their password and forwarding address. The advantage of the

e-mail address for the students is that they can subscribe to alumni mailing lists - although generally not to other mailing lists. They can also gain access to a list of websites of interest to alumni. It may also be possible to search through a complete database of lifelong e-mail addresses There may be some draw-

backs associated with being listed on a business school's e-mail directory. Many alumni dislike the idea of their e-mail address getting a "community-wide IT infra- and websites that allow into the hands of companies that want to sell products to This is not a strai

ward issue to resolve. It is hard to define the limits for legitimate interest in stuple, most alumni would not want to limit access to their

This is a single electronic have had friends in other

Nonetheless, many business schools have introduced policies restricting the use of the lifelong e-mail addresses. Wharton, for example, says "lifelong e-mail addresses are not provided for purposes of soliciting and Alumni Affairs reserves the right to cancel lifelong e-mail addresses for misuse". In addition to offering life-

long e-mail addresses, some schools plan to offer their students and alumni interactive web pages that are tailored to their interests. Last summer London Business School (LBS) intro-

duced a system that allows a unique web page to be generated for each student. When students log on, they can click on icons that will lead them into discussion groups (which deal with anything from sports events to academic debates), course outlines, an address book (which can be searched ward within 48 hours. according to country, course, Recruiters can then consider and so on) and various home

Over the next six months, LBS intends to make e-mail accessible through the stuaddition, it wants to put relevant information from exter-

TRADING ROOMS • by George Bickerstaffe newspapers on their web pages. It is also exploring

Building bourses for beginners "push" technology in the form of Netscape's Netcaster tion to users' desktops

Schools respond to demand for greater practical experience in markets

the possibility of using

software, that allows publishers to deliver informa-

rather than wait for them to

The potential of these

interactive web pages is significant," according to Fer-

gus Lynch of LBS. "It is a

real tool. It is not something we are doing just to have an

Internet presence," he says. The benefits of this sort of

system are particularly

apparent for students who are working at some dis-

tance from the business school At LBS, for examples

students can get remote

access to slide libraries.

schedules, lectures and reference materials. "On-line col-

laborative working is particularly suited to students

taking part in executive edu-

cation who are not in daily

face-to-face contract."

they receive.

Both videoconferencing

are also playing a part in the

recrultment of business

school students. Videocon-

ferences are a relatively sim-

ple way for companies to

conduct preliminary inter-

views without having to

visit the business school's

campus. Moreover, storing

CVs on electronic databases

makes it easier for potential

recruiters to find students

that satisfy a variety of crite-

School, for example, compa-

nies can browse the database

of anonymous summaries -

which list individual's career

experience, industry and sec-

tor specialisation, language

proficiency and salary expec-

Candidates are contacted

with the name of the recruit-

ing company and, if they

agree, their CVs will be for-

the CVs and decide whether

alumni have registered; 35

The students at schools

which have invested heavily

in IT are gaining a two-fold

benefit. As well as reaping

practical advantages from

the technology, they are also

gaining expertise in using

schools report that the appe-

tite of students for up-to-date

technology is virtually insa-

tiable. "As fast as we inno-

vate, the students take it as

a matter of course," says Mr

state-of-the-art equipment. Unsurprisingly, some

interview

tations.

oner

London Business

find it.

The financial world has always held a strong attraction for MBA graduates. In 1997 13 per cent of graduates. from the Kellogg business school at Northwestern University outside Chicago (a school traditionally associated with marketing experts) opted for lobs in the investment banking field at an average salary of \$75,000. Many schools boast much

larger percentages - 96 per The Internet is, however, not the only technology that cent at the Kenan-Flager is making it easier for stuschool of the University of dents to learn from profes-North Carolina, for example. At London Business School sors or executives in other parts of the world. Videoconabout one-third of its 200ferencing is another tool plus MBA graduates and all that is proving useful. Stuof the 100 graduates of its dents based in Singapore Masters of Finance programme go into the field. and Malaysia are able to A number of business have tutorials with lecturers at London's Imperial College schools have begun to Management School over a

respond to this interest by videoconferencing network introducing direct hands-on to supplement the less freexperience of dealing in quent face-to-face contact shares, foreign currencies and exotic derivatives such as options and futures into their curricula. technology and the Internet

MIT's Sloan School in Cambridge, Massachusetts. in the US was one of the first business schools to follow this route. In March 1996 ft set up the first fully equipped trading room ever built on a university campus. The Sloan trading room is identical to real-life trading rooms. Indeed, Sloan used a firm

of architects who have designed actual trading rooms all over the world. Sloan has live price-volume data from Reuters, Bridge and Bloomberg on all the large financial instruments (though links are delayed by five minutes to prevent actual trades being made). Trans-Lux Data Walls display market information and an IPC Tradenet telephone

According to Sloan, faculty and students use the simulated game - the 3,000 sq ft facility for classroom study and assignments directly. So far, over 500 issues such as financial market analysis, options pricing and the use of information technology in financial services. The trading room is also a research facility. Subjects under investigation include improved methods for analysing and evaluating risk, the psychology behind trading decisions, and neural networks that can "learn" from past market experi-

> According to Paul Asquith, professor of finance at the Sloan school, understanding market behaviour without a trading room is like studying "cell biology



One of the most extensive facilities in Europe is based at the University of Reading at the Isma Centre, a unit set up for the study of securities markets by the Zurichbased International Securities Market Association (Isma). The centre, which is about to move into a customdesigned SFr5m (\$3.30m) building on the Reading campus funded by Isma, offers a unique masters degree in international securities, investment and banking that makes extensive use of simulated trading.

The Isma Centre's "Invest" dealing room has 30 Reuters 3000 terminals, Dow Jones and Bloomberg terminals, and dealing, portfolio management, risk management. hedging and valuation software. Sessions in the Invest room are required of all students even if they do not intend to become dealers or fund managers. According to Brian Scott-

Quinn, director of the centre: "Everyone involved in an investment bank, investment firm or regulatory agency should have experience of the key market risk assessment, risk taking and risk hedging functions. Risk is the key in the investment banking industry and some thing that every employee needs to understand from his or her experience". Also in the UK, students at

London Business School take part every year in a Bourse Game - which has been organised by Citibank the only institution outside. the US to participate.

give students a practical understanding of foreign exchange and monetary markets through a mix of lectures and real-life exercises. According to LBS, as well as providing experience for students the game also gives Citibank a chance to spot rising stars".

During the four-day game. students attend theoretical lectures in the mornings and simulated trading sessions in the afternoon. In these,

dealing in the forward and spot foreign exchange markets. In addition they have to react to fictitious news bulletins fed via a television "network". Success is measured not just by maximising profits but also on return on assets; risk limitation and overall professionalperies aps for executive

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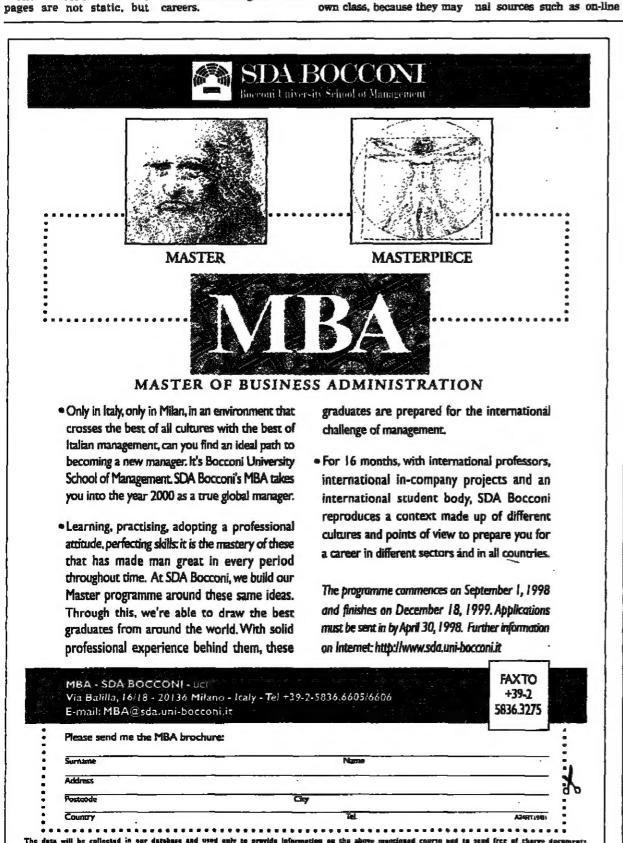
Zacharias Maniatis, who completed a Masters in Finance degree at LBS in 1995, says: "The game exposes you to the stress involved in working in a dealing room, I now work at Alpha Brokerage in Athens and I found the whole experience invaluable."

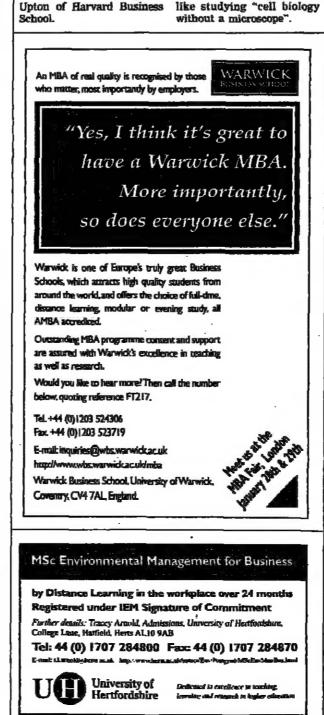
The numbers of business schools operating their own trading rooms is still small :perhaps half a dozen in the US, two or three in Europe and the same number in the Asia Pacific region. But many more are likely to join.

The next is likely to be the Johnson School of Cornell University in Ithaca, New York State, in the US, where its Parker Center for investment research expects to have a trading room up and running by May 1998. As well as hands-on trading experience, Charles Lee, director of the centre and a professor of accounting and finance, wants to use the facility to understand how people use information.

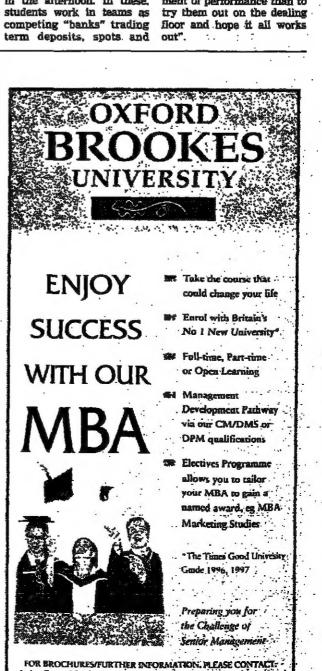
Cornell is also involved in an innovation in trading simulation that looks likely to spread as quickly as simulated trading rooms - the Such schemes have been running for a number of years at the universities of Texas and Wisconsin and elsewhere in the US. Students at Texas and Wisconsin respectively manage portfolios of \$3m and \$1.5m.

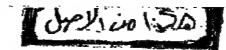
But whether they use real money or not the use of computers to simulate trading situation is undoubtedly here to stay. Mr Scott-Quinn at the Isma Centre says: "It's much cheaper to send someone on a course that proment of performance than to













THE GENERAL MANAGER . by Richard Donkin

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Your engineering qualifications are impeccable but despite your well-earned reputation for technical expertise you wouldn't know a marketing strategy if it hit you on the head. Suddenly your technical talent is rewarded with a senior management position. What do

One idea may be to go back to school. Business Schools are finding increasing interest from companies keen to help their most valuable technical managers make the leap into executive positions with much broader management responsibili-

Salar Contraction

Demand for such tuition was identified in a survey of 3,000 managers carried out archy, looking at the busi-last year by the UK's insti-ness from their functional tute of Management. It found that two-thirds had received no formal training to prepare them for their management responsibilities. About three-quarters of the managers said they thought it was important for them to receive some kind of training in broad manage-

One problem, says the Institute, was identifying their deficiencies. The Institute now markets a diagnostic tool called Check-A-Board, devised in conjunc-tion with Saville & Holdsworth, the psychometric test publisher.

"We think this is a vital first stage because the process enables you to find out how much you know and how much you don't know," says Mark Hastings, the Institute's policy adviser. "This way people can work out what programme of management education they

Management schools have

teaching. Some, like Cranfield University School of Management have tailored specific courses covering general management skills of specialists.

Cranfield's 12-week long General Management for Specialists course was designed with such a need in mind. It grew out of courses that extended general management skills to accountants and engineers.

Martin Clarke, the programme's director, says the course is aimed at those who have risen to be a functional head but who are now moving to a more senior position where they will need an integrated perspective of the company. "They may have been operating effectively within their speciality but when they move out of their comfort zone suddenly things get more compli-cated," he says.

"Often people come with an exaggerated sense of hierperspective. They can soon become confused and demotivated by the paradoxes, for example, of mixing global and local considerations or of whether they should deal with falling profits by cutting costs or expanding market share. Part of our job is to get them to accept the fact that such problems will always be there and that there is no right answer."

The Wharton school at the University of Pennsylvania packs its two-week Executive Development Programme with business simulations designed to test executives' general management skills and help them deal with the sort of problems they will encounter in their companies. The simulations are used both for individual and group work. "The group work involves

complex decision making at different levels. We find the simulations are an effective way of accustoming these a varied approach to such ing with parts of the busi-recently moved into general nies now want the tuition of people," he says.



ness with which they are not management positions, general management skills familiar. The courses are always oversubscribed," says John Kimberly, one of the lecturers who works on the programme. Business schools, however.

are also becoming aware of

the opportunies such courses hold for exchanges of personal experiences, particularly among managers in different countries. "Our International Executive Programme gives managers a tremendous opportunity to network and extend their experience as well to break out of their particular expertise," says Sylvain Daudel. marketing director for executive education at Insead in

Other schools are experimenting with new forms of teaching, David Garvin, professor of business administration at Harvard Business School has introduced internet discussions using input functional specialists to deal- from alumni who have

Fontainebleau.

"There is very little written on this subject and I thought this was a good way obtaining fresh insights from people who could share their experiences," he says.

London Business School

runs a four-week Accelerated Development Programme designed specifically to help the functional specialist meet the challenges of general management. Lucy Grant, client service manager for executive education, who looks after the course, says the most highly rated part of the programme by participants is a section which deals with inter-personal skills, "A lot of them are managing a team of people doing different things for the first time. This is probably one of their

Ian Hardie, the school's development director for company specific programmes, says some compa-

biggest challenges."

within their particular company structure. "These compeople across the organisation who are too specialised. One of the most valuable uses of this type of course is bringing managers together from different locations, often from different countries, which allows them to appreciate their different

problems," he says.

The programme also has a multinational make up with 38 per cent of participants from the UK. 42 per cent from other parts of Europe and 20 per cent from the rest of the world. Mr Hardie says that the

need for such management tuition, even at senior levels. should not be underestimated. "You would be amazed to find how many people can rise to the top of their organisation in their specific field and yet be dreadful at managing PARTNERSHIPS • by Richard Donkin

Collaboration to advance new ideas

Business and MBA programme alliances can reap rewards for both sides

Ever since General Motors asked Peter Drucker, the management writer, to carry out a study of the company written up in his classic work, The Concept of the Corporation in 1946, companies have understood the potential of close collaboration with academics for improving their business

Today the fashion is growing for business schools to have programmes co-operating closely with pace-setting companies. Often the cooperations involve forums of blue chip companies sharing research and passing examples of best practice between each other.

But some schools are developing much closer links with specific businesses. One example is the way that Siemens Nixdorf Informationssystème, the computer company, and the MIT Sloan School are working closely together in the exploration of emerging managerial issues such as the leadership of cultural change, team management, diversity and organisational leadership.

The relationship was developed by Gerhard Schulmeyer, after he was appointed chief executive of Siemens Nixdorf in 1994 with the job of restoring the lossmaking company to competitiveness. Mr Schulmeyer, a graduate of Sloan School. decided the input of its academics could be a valuable way of initiating cultural change among his managers.

Three years ago, working closely with the school, he set up a "change agent" proentrepreneurial behaviour across the company. The concept was to develop such behaviour within a core group or cadre of high potential managers within the company. They would be responsible for working on specific projects over a year which would aid the company and the organisational capacity of its executives.

came with engineering backgrounds, seeking to expand their general business skills so that they could, in the Ritz Carlton Hotels. "We words of Robert Halperin, think there is real potential director of executive education at MIT "develop a road map for understanding Looking at a hotel group change and the type of culture needed to operate in a global context".

He adds: "The idea is that week or two to get injected with the knowledge. They will be learning and applying their knowledge on specific projects."

Although a four-week stretch of the course will be spent at MIT in Cambridge, Massachusetts, most of the directly on the projects. "It's

> There is a great opportunity for learning among our faculty from these individuals'

action learning. The idea is that people learn best when working on genuine problems and applying competency frameworks in their own environment," says Mr Halperin.

About 25 managers or technical specialists are selected and sponsored from the budgets of the heads of their particular business for each year's programme. In addition to the input from MIT they receive coaching on their projects from Solutions and Business Services. the company's consulting

One project, for example is looking at the quality model promoted by the European Foundation for Quality Management, MIT is sharing the results of the work with the business sponsors. "The programme is focus-

ing on the customer service dimension of quality rather than on manufacturing." says Mr Halperin. Course lecturers are currently dis-

perin, is a study of the cus tomer service practices of in looking at something other than an IT business. would provide a different frame of reference," he adds.

The programme has an important spin off for MIT in they will have more than a addition to course fees. "There is a great opportunity for learning among our faculty members working with these high potential individuals on real business projects," says Mr Halperin.

> "It pushes our faculty to develop materials and present them in a way that is relevant to the company. It keeps the faculty fresh in the knowledge that it is dealing with leading edge ideas and it also provides important feedback into the MBA programme."

As part of the course the executives carry out site visits to selected companies. Company visits planned in Boston, for example, include two high technology start-up companies to look at how they manage projects and customers. One company on the tour programme is a potential customer.

The company also benefits from the number of executives it has steeped in various ideas for change management. "In December we had people from the three previous years and those in the current programme gathered together so we had 100 change managers capable of spreading their ideas through the company. They are becoming a very powerful group," says Tim Bookas, head of the Munich-based change centre at Siemens Nixdorf. In addition to the MIT link

up, the current group of change agents will be visiting Silicon Valley in May as part of a project run from Stanford Business School, focusing on innovation and creativity. The company plans the next programme to be extended to include participants from customers and suppliers, "We think that working on a common project will be an effective way of building relationships with customers and business Many of the executives cussing case studies. One partners," says Mr Bookas.

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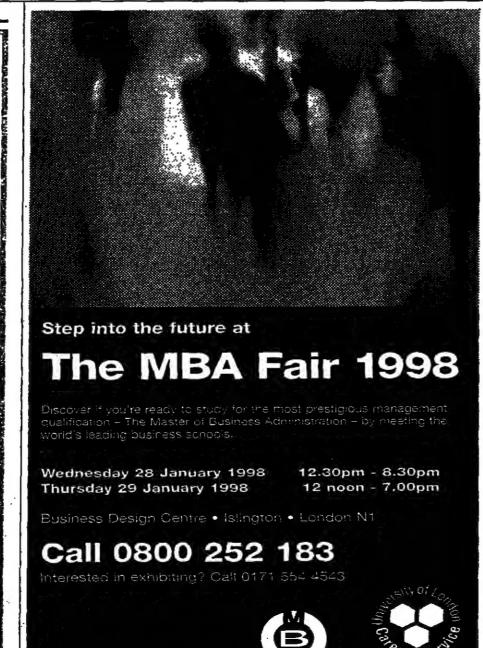
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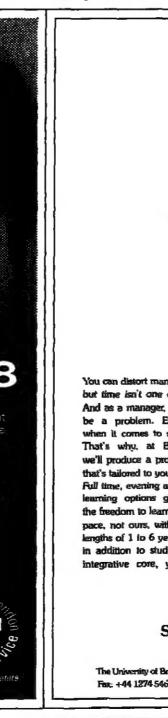
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The Yale School of that's going on around Management is an individual them. and increasingly aggressive participant in the world of Ivy League business schools.

It is far younger than its rivals, such as the Harvard Business School or Wharton, having been founded only 20 years ago at the edge of Yale University. It is the smallest of the truly elite US management schools, with only 200 students a year. And its graduates do not get an MBA, but instead a MPPM (Master of Public and Private Management).

But the Yale SOM competes head-on with its Ivy League rivals, even though it is clearly built on very different foundations. Its dean for the past two years, Jeffrey Garten, says the school has the largest endowment per student of any US business school and plans to expand the faculty by 60 per cent over the next five years.

The school still attempts to put business in a broader perspective than its rivals, as the unusual title of its degree implies. This is a by-product of fierce internal disagreements at the university at the time of the school's founding. Some of the university's governors felt uncomfortable about bringing a full-blooded business school on campus and the SOM still tries to specialise in developing public sector and non-profit entrepreneurs.

But Mr Garten is clear that this should not distort the school's underlying mission, "It's a total misconception that this is not a hardedged business school," he says. "We are educating leaders for business and society. That means we are educating business leaders who will go on to lead businesses

To do this, students must first master a testing array of business skills in their first year, including finance. accounting, business strategy, operations management and marketing.

These courses, according to Mr Garten, are "among the most quantitative of any business school in the world", taught in some cases by rigorous academic economists. No student can graduate without understanding the latest advances in financial engineering, such as how to price derivatives.

The SOM's small student body - which will remain roughly the same size while the faculty is expanded does, however, limit the school in some ways. While larger Ivy League business schools have developed substantial autonomy, the SOM works more with its associated graduate schools, and with Yale's academic researchers.

The SOM is also developing a strong international focus, and all students must take at least one course in emerging markets. Its faculty - including Mr Garten. a former undersecretary for international trade and international investment banker - is already heavily loaded with experts on emerging markets.

The courses have a strong practical bent, and the school has made great efforts to build inter-disciplinary courses, using its links with the rest of the university.

For example, a new course this term will be offered jointly by the law and management schools, and cover doing business in emerging Harvard, markets - including corrupunderstand everything else tion, bankruptcy laws and



Yale SOM's dean, Jeffrey

currency convertibility, as well as the tough underlying economics. It has been heavily over-subscribed.

Another important part of Mr Garten's approach is to use Yale's pulling power to attract powerful guest professors. One of the most popular courses, for example covers corporate governance. It is taught jointly by Ira Millstein, generally regarded as the leading legal expert in the field of corporate governance and an adviser to several presidents, and Paul McAvoy, a former dean of the SOM and economic adviser to President Ford, and director of numerous companies.

Their experience and contacts allow students privileged access to the best professionals. When students study the case of Chase Manhattan's 1995 take-over by Chemical Banking, one of the most famous mergers in American corporate history. they can speak not only to a Chase director of the time -Mr McAvoy - but also to Michael Price, the mutual fund manager who used a big stake in the company to force it into a merger.

Teamwork is important. Students tend to be far more co-operative than they are at other US business schools. They compete with each other far less than students the practical problems of at other schools, such as

John Authers

Diversity is the selling point

Essec may be one of France's top-ranked business schools, but at the start of the 1980s, its directors were confronted by a serious problem. While its domestic reputation was well-established as part of the country's elite system of 'grands écoles". the institution was almost unknown abroad.

Students graduating with heir diplomas and jobs with international companies met bemusement and some difficulties in recruitment from those employers who were not familiar with the French ducational system.

While many defenders of the French system argue that the graduates of the business grands écoles notably HEC, Essec and ESCP - have the equivalent of an MBA, critics suggest

that the diploma is more akin to the standard of an undergraduate degree from a top national university such as Harvard or Yale in the US. Whatever the truth, Essec faced growing competition from foreign business schools luring candidates to other countries and also felt the need to expand.

The response has been the

launch over the past few years of a range of specialist MBA and other post-graduate business programmes which have given Essec a new standing outside French national boundaries. A notable 1997, when Essec became the first European institution to be granted acceditation by the US business school accreditation body, the

· The bulk of Essec's students - some 1,600 at any one time - are top achievers, passing through preparatory classes, meeting the requirements of a

competitive entrance exam and entering the school at 19 or 20-years-old for a three to four-year course. It is for these pupils that the Ecole Superieure des Sciences Economiques et Commerciales (Essec) was founded in 1907.

The recent diversification of courses has been rapid. Since 1993, the school has notably started offering an executive MBA, targeted at those who already have an average of 9-10 years of business experience. It costs FFr150,000, including tuition, books and a

two-week residential course. The course runs over two continuing to work full-time

... in their own jobs, but coming to a special centre in La Defense on the edge of Paris every two weeks for ... classes on Fridays and Saturdays. Alongside class-room sessions, it draws on the experience of the students themselves. and the use of "groupware software to allow them to

One-third of the annual intake of about 50 students is not French, and half of the tuition is carried out in English - although there is debate about switching entirely to English. "We don't want to attract people who can't speak at least two. languages," says David

communicate regularly

when they are not together.

Manson, course director. There are 1,000 students on a range of other . . post-graduate courses at ec, most significantly on ten specialist one-year

marketing management international business law and management, international purchasing and financial methods. There is also a two-year. degree available from the international hotel management institute,

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the US. : : Two years ago. Essec decided to take an even more innovative approach. It launched a one-year specialist MBA in luxury brand management. The formula of niche

with Cornell University in

MBAs appears to have. worked well, and Essec has decided to launch a second one - specialising in agro-food - this autumn Others may well follow.

Andrew Jack

Graduate School of Business, University of Capetown

Ready to embrace a world view

Few of the world's business dents at least, South Africa invites an array of foreign supervisory positions or Town, the relatively low fee schools can boast a location may seem an unlikely place more symbolic than the to develop the skills that Graduate School of Business at the University of Cape Town. Its Breakwater Campus is housed in a former prison and is now a national

This bridge between the contemporary world of commerce and the historic institutions of the university, is an apt illustration of Cape Town's growing exposure to international business after years of isolation.

The political reservations about coming to a South African institution have Jowell, the school's director. Last year, one-third of its full-time MBA students hailed from outside South Africa, A record number of international applicants are expected this year.

For many western stu-

global business will need in the next century. Although the high tariff barriers which protected local industry during the apartheid era have been dismantled, its legacy is a labyrinthine network of cross-boldings built

up during isolation. A handful of conglomerates dominate the local economy, competition is often limited, and skilled managers are in short supply. For all that, the biggest companies have begun to overhaul their corporate structures gone," says Professor Kate and many have recognised an urgent need for incentive schemes to stem the migra-

> tion of scarce talent. Professor Jowell says the University of Cape Town is playing an important role in boosting the calibre of local management. The school

academics to give an international perspective, and runs an exchange programme with "top drawer" international schools including Wharton and UCLA.

For foreign students in particular, Professor Jowell suggests a year spent in South Africa's post-apartheid economy could bring tangible benefits. "With so much discussion about business globalising, it's important to establish yourself with some knowledge of a society that is in transition.

The MBA course runs concurrently with an Associate. In Management programme (AIM), which is South Africa's only full-time business course available to people with limited formal education. The AIM syllabus places more emphasis on

group and project work.

AIM director, describes it as "a bridge for people who in a normal society would have progressed beyond their current position". The school also conducts research on the South African workplace through a

trade union movement who

take a series of courses mod-

elled on the MBA pro-

gramme. Nicola Coombe,

with a background in the are one of the principal

information service. The best known initiatives are the Breakwater Project, a biannual review of employment equity among large corporations, and the Manufacturing Roundtable, which has pigneered the Best Practice Initiative, a review of manufacturing processes.

Next to the experience of

the changing South Africa

dents living outside Southern Africa. The rand cost for residents of countries in the Southern African Development Community is R30,500 (\$6,174). For the past two years, the school's MBA programme has been the most highly rated in South Africa by respondents to an annual professional management

attractions of UCT's MBA.

The course, which begins in

January and runs for a full

calendar year, is South Africa's only full-time MBA

and costs just \$9,500 for stu-

MBA survey. Roughly 90 shidents have enrolled for the 1998 class, which will be the largest on record. The average age is 30, and the average level of previous work experience is seven years.

Mark Ashurst

"I was confident in seeing an IMD alumnus become my successor"



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